

**CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
NO: 500-11038474-108**

S U P E R I O R C O U R T
Commercial Division
*Designated tribunal under the
Companies' Creditors Arrangement Act¹*

**IN THE MATTER OF THE PROPOSED
PLAN OF COMPROMISE AND
ARRANGEMENT OF WHITE BIRCH
PAPER HOLDING COMPANY AND
VARIOUS SUBSIDIARIES AND
AFFILIATES**

DEBTORS

- and -

ERNST & YOUNG INC.

REPORT OF THE MONITOR – MARCH 17, 2010

INTRODUCTION AND BACKGROUND

1. On February 24, 2010, on a motion made by White Birch Paper Holding Company (“**White Birch**”) and various of its affiliates (collectively referred to as the “**Applicants**”), the Superior Court of the Province of Québec for the District of Montréal (“**Court**”), sitting as the designated tribunal pursuant to the *Companies' Creditors Arrangement Act* (“**CCAA**”)¹ issued an order (“**Initial Order**”) declaring that the Applicants are debtor companies to which the CCAA applies, appointing Ernst & Young Inc. (“**EYI**” or “**Monitor**”) as monitor and granting certain relief to the Applicants and various partnerships in which the Applicants have an interest (“**Partnerships**”) (the Applicants and the Partnerships are hereinafter referred to collectively as “**WB Canada**”)².
2. Also on February 24, 2010, Bear Island Paper Company, LLC (“**Bear Island**”), a subsidiary of White Birch with activities in the U.S., asked for and received relief under the provisions of the U.S. *Bankruptcy Code*³ (the “**Code**”) (Bear Island and WB Canada are hereinafter referred to collectively as “**WB Group**”). The information regarding the proceedings initiated by Bear Island under Chapter 11 of the Code, together with the “first day orders” made by the Bankruptcy Court for the Eastern District of Virginia, Richmond Division (“**US Court**”) at the request of Bear Island, can be found on the website of the claims agent retained by Bear Island, Garden City Group, Inc., at www.gardencitygroup.com/cases/bip.

¹ *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

² The entities subject to the Initial Order are White Birch Paper Holding Company, White Birch Paper Company, Stadacona General Partner Inc., Black Spruce Paper Inc., F.F. Soucy General Partner Inc., 3120772 Nova Scotia Company, Arrimage De Gros Cacouna Inc., Papier Masson Ltée., Stadacona Limited Partnership, F.F. Soucy Limited Partnership, and F.F. Soucy, Inc. & Partners, Limited Partnership.

³ *U.S. Code*, title 11, chapter 11.

3. Also on February 24, 2010, some of the entities within WB Canada⁴ applied for relief under the provisions of Chapter 15 of the Code. At a hearing held on February 26, 2010, the U.S. Court issued a temporary restraining order under the provisions of Chapter 15 of the Code, and on March 5, 2010, it granted a preliminary injunction, pending a fuller hearing to be held on March 22, 2010. The temporary restraining order and the preliminary injunctions recognise provisionally White Birch Paper Company as the foreign representative in the proceedings under Chapter 15 of the Code and grant relief in the U.S. consistent with that of the Initial Order. A copy of the temporary restraining order and of the preliminary injunction is attached to this report as Appendix A.
4. The orders granted by this Court and by the U.S. Court, together with the relief provided under the CCAA and the Code⁵ (collectively the “**Orders**”) provide, among other things, for a stay of proceedings against the entities comprising WB Group while they prepare a restructuring plan.
5. The Monitor established a website to post information relating to the proceedings under the CCAA, with links to the website of the WB Group and to that of the U.S. claims agent. The address of the Monitor’s website is www.ey.com/ca/WhiteBirch.
6. On March 12, 2010, a motion was filed on behalf of Dune Capital LP, Dune Capital International Ltd and WTA Dune Limited (collectively, the “**Dune Group**”), who are apparently the more significant participants in the lending group that comprises the syndicate for the second ranking term loan facility (“**Second Term Loan**”), purportedly holding in excess of 60% of the amounts due by WB Group under the Second Term Loan, of approximately \$100 million in capital. The motion filed on behalf of the Dune Group addresses, in substance, the following issues:
 - 6.1. The interim financing authorized in the context of the Initial Order, by questioning the propriety of such an authorization in the circumstances and/or the appropriateness of limiting the Interim Financing to a lesser amount in the period covered by the Initial Order;
 - 6.2. A request for an order directing WB Canada to pay certain fees incurred and to be incurred by the Dune Group and/or the administrative agent for the Second Term Loan;
 - 6.3. A request for an order directing the appointment of Wells Fargo (“**Wells**”) or a sub-agent of its choosing as Administrative Agent, Canadian Collateral Agent and US collateral Agent under the Second Term Loan; and
 - 6.4. A request for disclosure of certain financial information pertaining to the WB Group.
7. The motion filed on behalf of the Dune Group relates to the authorization to borrow up to \$140 million in interim financing secured by a prior ranking charge over all assets of WB Canada. A similar order was made on an interim basis in the U.S. Court, authorizing borrowings of up to \$104 million, secured by a prior ranking charge over all assets of Bear Island, pending a

⁴ The entities which requested relief under Chapter 15 of the Code are White Birch Paper Company, Stadacona General Partner Inc., Papier Masson Ltée., Stadacona Limited Partnership, F.F. Soucy Limited Partnership, and F.F. Soucy, Inc. & Partners, Limited Partnership,

⁵ Sections §361 and §362 of the U.S. *Bankruptcy Code*.

fuller debate on the interim financing issue scheduled for March 22, 2010. A copy of the order made in the U.S. Court regarding the financing is attached as Appendix B. The interim financing approved in the context of the Initial Order and the interim financing approved to date in the U.S. Court creates a prior ranking charge over all assets of WB Group (subject only to certain approved charges), and is referred to herein as the “**Interim Financing**”.

8. On March 15, 2010, a statement was filed by the Dune Group in the proceedings under the Code in respect of Bear Island, in view of the hearing scheduled to take place on March 22, 2010. The statement filed in the context of the proceedings in the U.S. Court in this respect is attached as Appendix C. In the said statement, at paragraph 11 thereof, the Dune Group states that:

“The Majority Second Lien Lenders do not oppose the Debtor’s request to use cash collateral or obtain the DIP Loan. Moreover, the Majority Second Lien Lenders do not object to this Court’s grant of adequate protection to the First Lien Lenders. The Majority Second Lien Lenders simply demand additional adequate protection for their own interests.”

In essence, the statement seeks the disclosure of additional information, an increased level of “adequate protection” and/or the payment of fees and expenses incurred and to be incurred by the lenders under the Second Term Loan, and in consequence seeking modifications to the interim financing credit agreement.

9. The Official Committee of Unsecured Creditors of Bear Island also filed a Motion to preserve their rights to seek to amend, vary or rescind the Initial Order pending the outcome of its contestation with respect to the final approval of the Interim Financing scheduled to be heard by the U.S. Court on March 22, 2010.
10. The present report (“**Report**”) is intended to provide the Court with information relevant to the issues raised in the motion filed on behalf of the Dune Group, and more particularly on the current activities of WB Group and its use of the funds provided by the Interim Financing. The Report is presented under the following headings:

10.1. Introduction and background

10.2. Terms of reference and disclaimer

10.3. Current activities;

10.4. Other issues; and

10.5. Conclusions and recommendations.

TERMS OF REFERENCE AND DISCLAIMER

11. In preparing this Report, EYI has relied upon unaudited financial information, company records, company prepared financial information and projections, discussions with management and employees of WB Group, and information from various other sources.

While we reviewed various documents and believe that the information therein provides a fair summary of the transactions as presented to us or as reflected in the documents presented to us, such work does not constitute an audit or verification of such information for accuracy, completeness, or compliance with generally accepted accounting principles. Accordingly, EYI expresses no opinion or other form of assurance in respect of such information.

Some of the information used in preparing this Report consists of financial projections. We caution the reader that these projections are based upon assumptions about future events and conditions that are not ascertainable, and that the actual results may vary from the projections, even if the assumptions materialize, and the variations could be significant.

In the course of our mandate, we have assumed the integrity and truthfulness of the information and explanations presented to us, within the context in which it was presented. To date, nothing has come to our attention which would cause us to question the reasonableness of this assumption.

Finally, we have requested that management bring to our attention any significant matters which were not addressed in the course of our specific inquiries. Accordingly, this Report is based solely on the information (financial or otherwise) made available to us.

This Report has been prepared for the use of this Court and WB Group's stakeholders as general information relating to the entities comprising WB Group and their operations. Accordingly, the reader is cautioned that this Report may not be appropriate for any other purpose. We will not assume responsibility or liability for losses incurred by the reader as a result of the circulation, publication, reproduction or use of this Report contrary to the provisions of this paragraph.

CURRENT ACTIVITIES

12. Since the commencement of the CCAA and Chapter 11 proceedings, the entities comprising the WB Group have focused primarily on stabilizing operations and returning them to a business as usual basis.

Suppliers

13. While there have been numerous issues to resolve with many important providers of goods and services, WB Group has maintained the integrity and functionality of its various businesses. Management has been in discussions with suppliers to re-establish supply arrangements and to negotiate credit terms under which suppliers maintain or will provide goods and services during the stay period. In general, Bear Island has been able to obtain limited credit from its suppliers, albeit on a reduced scale as compared to the level of credit that was available before the

inception of the proceedings under the Code, and sometimes subject to furnishing a deposit in support of the credit facility. WB Canada's suppliers are supplying goods and services on a "cash on delivery" basis or are provided limited credit supported by a deposit.

14. There has been a slowdown in activity due to difficulties in obtaining supplies while the negotiations of agreements for the supply of goods during the stay period are taking place. The situation is slowly returning to normal as agreements are being negotiated, and as suppliers are gaining confidence from the fact that WB Group has a source of financing through the Interim Financing and is making payments for the current goods and services. This slow down is not unusual in the circumstances and there has not been any generalized supply problem that could threaten the on-going operations, in the immediate short term.

Employees

15. Both the Initial Order and the first day orders made in the context of the proceedings under chapter 11 of the Code for Bear Island, allow WB Group to continue to pay the claims for wages, salaries, employee benefits and other compensation, withholdings and deductions and reimbursable expenses and to continue to generally provide employee benefits in the ordinary course of business. WB Group has generally made employee related payments on a business as usual basis in both Canada and the U.S., except as regards the past service costs for the pension plans, as authorized by the Initial Order.
16. Concurrently with the filing of the proceedings under the CCAA and the Code, WB Group implemented a communication program, to keep the employees informed of the proceedings and of the status of its restructuring efforts.
17. The Monitor is not aware of any difficulty or issue relating to the work force, other than the on-going, normal issues between an employer and a fairly large employee complement.

Customers

18. Concurrently with the filing of the proceedings under the CCAA and the Code, WB Group implemented a communication program with its customers.
19. The Monitor is not aware of any difficulty or issue affecting the customers.

Cash flow/Interim Financing

20. The process used to seek out a lender for the Interim Financing, the negotiations thereof, the financing needs and the significant terms of the credit negotiated with the Black Diamond Group are all described in the report of the Monitor, dated February 23, 2010. The contents of this report, as regards these issues, are still relevant.
21. As indicated earlier in this Report, the Interim Financing was authorized by the Initial Order, and by a provisional order made in the U.S. Court (Appendix B). The credit agreement and related guarantees, security and pledge agreements necessary to document the Interim Financing were executed on March 1, 2010.

22. Contemporaneously with the execution of these documents, WB Group received a first draw against the delayed draw term loan, of US\$86.5 million. The proceeds from this first draw were used to repay the indebtedness to General Electric Capital Corporation (US\$51.2 million), to pay interest accrued on the GE indebtedness (US\$330,000) and to pay the fees provided for in the agreement that were payable at closing⁶ (US\$7.1 million). The balance of the funds, or US\$27.8 million, was retained to enhance the cash on hand in anticipation of having to fund negative cash flow, as provided in the WB Group's cash flow projections.
23. An additional draw of US\$6.5 million was made on March 8, 2010, and these funds were retained to enhance the cash on hand in anticipation of having to fund negative cash flow. The two draws made to date represent total borrowings under the Interim Financing of US\$93 million.
24. The drawings are consistent with the cash flow projections that were prepared for the WB Group for the 13 week period ending May 14, 2010, which were used to compile the cash flow projections of WB Canada, filed (under seal) with the petition for the issuance of an interim order (as appendix P-6 thereof). The cash flow projections of the WB Group for the 13 week period ending May 14, 2010 are attached hereto as Appendix D.
25. WB Group and its advisors prepared a comparison of the actual and projected results, for the 2 weeks ended March 5, 2010, annexed to this report as Appendix E. As of the date of drafting this report, the comparison of results for the three weeks ended March 12, 2010 was being prepared, but was not yet available. The Monitor reviewed this comparison with management, and as a result of this review, the Monitor has no reason to doubt the reasonableness of the explanations provided for the variances.
26. Essentially, the comparison of actual and projected results for the 2 weeks ended March 5, 2010 indicate that while the projections contemplated a negative cash flow of US\$35.8 million for the 2 week period, the actual results yielded a positive cash flow of US\$3.7 million (after taking into consideration the payment of the fees and interest totalling \$7.4 million, referred to in paragraph 22 above), or a favourable variance of US\$39.5 million. The variance is attributed primarily to the following:
 - 26.1. Higher than projected collection of accounts receivable, by approximately US\$9 million. The projections contemplated a temporary slowdown in collections as a result of the uncertainty surrounding the restructuring process, which does not appear to have occurred, and the accounts receivable collection were projected conservatively.

Since the projected receipts are based on accounts receivable balances, an excess in collection over the projected amount is a timing difference, as the gross amount of accounts receivable is depleted.

⁶ These are the fees described in the Monitor's report dated February 23, 2010, as the arranger's fee of 2.5% of the committed funds, the initial fee of 2.5% of the committed funds and the administrative fee of US\$100,000 payable at closing. These fees are described in paragraphs 41.4.2, 41.4.3 and 41.4.7 of the said report.

- 26.2. Lower than projected disbursements, by approximately US\$30.5 million. Although some of the variance relates to savings, the major portion of the variance is attributed to the lower activity in the period immediately following the inception of the restructuring process, as deliveries of goods and services were delayed while arrangements were being made to satisfy the suppliers that they would be paid for on-going provision of merchandise or services, by negotiating limited credit facilities with the suppliers, or providing them with deposits, or making arrangements for “COD” payments.

The lower level of activity is not a permanent difference, as the lower activity tends to deplete inventories, which will need to be increased in order to ensure that the operations run efficiently. As such, EYI considers that the variance in disbursements is, in large part, a timing variance that is likely to reverse itself in the future.

27. In view of the favourable variance in results as compared with the projections prepared by WB Group concurrently with the inception of the restructuring process (Appendix D), and the fact that to date, two draws were made, a portion of which was used to enhance the cash position in anticipation of having to fund negative cash flow, WB Group’s cash on hand currently stands at approximately US\$61.4 million, as at March 12, 2010.
28. We consider that the amount of cash reserves is reasonable in the circumstances, for the following reasons:
- 28.1. As indicated in paragraph 26 above, we consider that the favourable variance between the projected and actual cash flow, to date, is attributable in large part to timing differences. The reversal of these timing differences, when they occur, could cause a substantial drawdown of US\$39.5 million in the cash reserves.
- 28.2. The activities of WB Group are subject to large variations in the cash balances, from one day to the next, due to the size of the transactions with some of the customers and suppliers. For example, over a two day period in the week ended March 5, 2010, the cash position decreased by approximately \$13.5 million.
- 28.3. There are restrictions in the Interim Financing credit agreement, regarding the amounts that can be borrowed, and the advance notice period to effect a draw. Under the Interim Financing credit agreement, WB Group must notify the lender 10 days in advance, when it intends to draw funds under the Interim Financing credit facility. In view of the long delay and the need to have cash immediately available to pay for goods and services or to provide deposits to suppliers, WB Group must retain a large cash reserve, to enable it to continue making payments if there is a temporary slowdown in cash receipts from customers. Based on WB Group’s cash flow projections (Appendix D), 10 days’ worth of disbursements could represent between US\$15 million and US\$43 million, and average US\$28 million.
- 28.4. The Interim Financing credit facility is structured as a term loan, while the funding needs of the WB Group are periodic or temporary. Since the funds cannot be drawn again if there is a repayment under the term loan, the excess funds have to be retained as a cash reserve, if the excess fund situation is expected to be temporary. In the present case, the majority of the funds were drawn very early on in the process, before management of WB

Group could ascertain that favourable variances would occur as compared with the projections. This led to the excess funds situation, and the excess funds cannot be returned as management of WB Group expects that the excess funds situation is only temporary.

29. Management provided us with an updated cash flow projection for WB Group, for the 13 weeks ending June 4, 2010, and these cash flow projections are attached to this report as Appendix F⁷. The opening cash position, on these cash flow projections, represents the actual cash on hand as of March 5, 2010, and the projection for the week of March 6-12, 2010 reflects the actual draw of \$6.5 million against the credit facility. The remainder of the amounts presented for the week of March 12, 2010 represent a projection, as the projections have not yet been updated to reflect the actual results for the week ended March 12, 2010. The actual results for that week will still present a favourable variance, since the projection reflects cash on hand of US\$53.5 million, while the actual cash on hand was US\$61.4 million. As indicated earlier herein, we consider these variances are, for the most part, a timing difference.
30. These projections (Appendix F) suggest that WB Group will need to make further draws against the credit facility in the near future, in order to maintain cash reserves sufficient to support the on-going operations. The projections (Appendix F) suggest that notwithstanding the fact that WB Group currently has a large cash balance, additional funds will be required as early as late March 2010, and that the term loan will be fully drawn (i.e. borrowings of \$122 million, taking into consideration the reserves and carved out amounts) by the end of April 2010. The projections (Appendix F) indicate that based on the expected receipts and disbursements activity, the cash reserves of WB Group would be completely depleted at the end of April 2010 without additional drawings under the Interim Financing credit facility and that even with the additional borrowings, the cash reserves will decrease to US\$18.5 million by June 4, 2010.
31. The projections (Appendix F) suggest that during the projection period, the gross carrying value of accounts receivable and inventories is expected to vary from US\$155.9 million (as at March 5, 2010) to US\$169.2 million as at June 4, 2010. As such, the projections (Appendix F) suggest that some of the cash flow is necessary to finance an increase in accounts receivable and inventories, of approximately US\$13.3 million.
32. In view of the above comments, the Monitor still believes that the Interim Financing is warranted and required, in an amount and on terms consistent with that described in the Monitor's report dated February 23, 2010.

OTHER ISSUES

33. The other issues raised in the motion filed on behalf of the Dune Group relate to the payment of professional fees on an on-going basis, the issue of the appointment of an administrative agent for the Second Term Loan and the disclosure of certain financial information.

⁷ Management has also provided us with an updated cash flow projection for WB Canada, for the 13 week period ending June 4, 2010, extracted from the above-mentioned projection for the WB Group, and prepared on the same basis. This cash flow projection is attached as Appendix G.

34. The Monitor takes no position with respect to the appointment of an administrative agent, Canadian collateral agent and U.S. collateral agent under the Second Term Loan and understands this issue needs to be resolved by the WB Group.
35. With respect to the disclosure of financial information, the Monitor notes that to date all requests have been addressed exclusively to the WB Group. The Monitor understands that the WB Group will provide most of the documents requested by the Dune Group and is satisfied with the justifications of the WB Group not to provide certain information.
36. On the issue of fees, while it does not wish to prevent the parties from reaching a pragmatic agreement if it could provide a valuable consideration to the WB Group, the Monitor understands that WB Canada's ability to pay same is restricted by section 11.01 of the CCAA, the Initial Order and by section 5.10 of the Interim Financing Agreement (filed as exhibit R-9 in support of Dune Group's motion). The Monitor has not been provided with the actual amount of fees incurred to date nor the estimated fees to be incurred by or on behalf of the Dune Group and the administrative agent, Canadian collateral agent and/or US collateral agent.

CONCLUSIONS AND RECOMMENDATION

37. Based on the results to date and the updated cash flow projections provided by management of WB Group, the Monitor still believes that WB Group needs the Interim Financing during the pendency of the restructuring proceedings, in an amount and on terms consistent with those provided for in the credit agreement executed by the WB Group as of March 1, 2010. As such, the Monitor recommends that the Initial Order remain unchanged in respect of the Interim Financing.

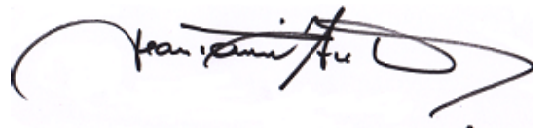
All of which is respectfully submitted this 17th day of March 2010.

ERNST & YOUNG INC.

In its capacity as the monitor appointed by the Court
in the matter of the proposed compromise and
arrangement of White Birch Paper Holding Company *et al.*



Per: Martin P. Rosenthal, CA, CIRP
Senior Vice-President



Per: Jean-Daniel Breton, CA, CIRP
Senior Vice-President

Appendix A – Temporary restraining Order and
Preliminary Injunction made by the U.S.
Bankruptcy Court

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Counsel to the Foreign Representative

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION**

In re:	)	Chapter 15
	)	
WHITE BIRCH PAPER COMPANY, <u>et al.</u> , ¹	)	Case No. 10-31234 (DOT)
	)	
Debtors in a Foreign Proceeding.	)	Joint Administration Requested
	)	

¹ The Debtors in these cases are: White Birch Paper Company (“White Birch Company”); Papier Masson Ltee (“Papier Masson”); Stadacona General Partner, Inc. (“Stadacona GP”); Stadacona Limited Partnership (“Stadacona LP”); F.F. Soucy Limited Partnership (“FF Soucy LP”); and F.F. Soucy Inc. & Partners, Limited Partnership (“FF Soucy & Partners LP”). The Debtors’ U.S. service address is 80 Field Point Road, Greenwich, Connecticut 06830.

**TEMPORARY RESTRAINING ORDER GRANTING PROVISIONAL
RELIEF PURSUANT TO CHAPTER 15 OF THE BANKRUPTCY CODE**

Upon the Application² of White Birch Paper Company (“White Birch Company”), in its capacity as foreign representative (the “Foreign Representative”) of the above-captioned debtors (collectively, the “Debtors”) in a foreign proceeding (the “Canadian Proceeding”) under Canada’s *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”) pending before the Superior Court for the Province of Quebec, Commercial Division, Judicial District of Montreal, Canada (the “Canadian Court”), the Foreign Representative, pursuant to sections 105(a), 1519, 1520 and 1521 of the Bankruptcy Code, requests: (a) entry of a temporary restraining order (the “TRO”) enforcing the Petition for the Issuance of an Initial Order (the “Initial CCAA Order”) and related relief; (b) after seven days’ notice and a hearing on the Application (with such hearing to be held only to the extent unresolved objections exist), a preliminary injunction order pending entry of an order recognizing the Canadian Proceeding as a “foreign main proceeding” on a final basis; (c) the scheduling of a hearing on the Application; and (d) such other relief as may be just and proper; and upon consideration of the Application and the Sherrick Declaration and all documents attached thereto; and it appearing that the Court has jurisdiction to consider the Application pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of these cases and the Application in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1410(3); and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and it appearing that notice of the Application has been given as set forth therein and that such notice is adequate and no other or further notice need be given; and a Hearing having been held to consider the relief requested in the Application (the “Hearing”) and upon the record of the Hearing and all of the proceedings held before the Court; and the Court having found and determined that the relief

² Capitalized terms used and not defined herein shall have the meaning ascribed to them in the Application.

sought in the Application is consistent with the purpose of chapter 15 of the Bankruptcy Code and that the legal and factual bases set forth in the Application establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefore, the Court finds and concludes as follows:³

1. There is a substantial likelihood that the Foreign Representative will be able to demonstrate that the Canadian Proceeding is a “foreign main proceeding” as defined in section 1502(4) of the Bankruptcy Code.

2. The commencement or continuation of any action or proceeding in the United States against the Debtors or any of the Debtors’ assets or proceeds thereof should be enjoined on the terms set forth herein, pursuant to sections 105(a) and 1519 of the Bankruptcy Code to permit the expeditious and economical administration of the Debtors’ estates in the Canadian Proceeding, and the relief requested either (a) will not cause any undue hardship to other parties in interest or (b) any hardship to parties in interest is outweighed by the benefits of the relief requested.

3. Unless a temporary restraining order is issued on the terms set forth herein there is a material risk that the Debtors’ assets could be subject to efforts by certain creditors or other parties in interest in the United States to control or possess the Debtors’ assets located in the United States or take other detrimental business acts against such assets of the Debtors.

4. Such acts could: (a) interfere with and cause harm to the jurisdictional mandate of this Court under chapter 15 of the Bankruptcy Code; (b) interfere with and cause harm to the Debtors’ efforts to administer their estates pursuant to the Canadian Proceeding; and (c) undermine the Foreign Representative’s efforts to achieve an equitable result for the benefit of all of the

³ The findings and conclusions set forth herein and in the record of the hearing on the Application constitute this Court’s findings of facts and conclusions of law pursuant to Fed. R. Civ. P. 52, as made applicable herein by Bankruptcy Rules 7052 and 9014. To the extent any of the findings of fact herein constitute conclusions of law, they are adopted as such. To the extent any of the conclusions of law herein constitute findings of fact, they are adopted as such.

Debtors' creditors. Accordingly, absent entry of this Order there is a material risk that the Debtors may suffer immediate and irreparable injury for which they will have no adequate remedy at law, and therefore, it is necessary that the Court enter the TRO.

5. The interest of the public will be served by this Court's entry of the TRO.

6. The Debtors and the Foreign Representative are entitled to the full protections and rights available pursuant to section 1519(a) of the Bankruptcy Code on the terms set forth herein.

NOW THEREFORE, IT IS HEREBY ORDERED, THAT:

1. The Application is granted as set forth herein.

2. To the extent unresolved objections to the preliminary injunction requested in the Application exist, all parties in interest must come before the Honorable Douglas O. Tice, Jr., United States Bankruptcy Judge for the Eastern District of Virginia, for the hearing (the "Hearing") at 11:00 a.m on March 5, 2010, at the United States Bankruptcy Court for the Eastern District of Virginia, Richmond Division, Room 5100, 701 East Broad Street, Richmond, Virginia 23219, or as soon thereafter as counsel may be heard, to show why a preliminary injunction should not be granted, subject to the terms set forth herein, including without limitation in Paragraph 4 of this Order, pending the issuance of an order recognizing the Canadian Proceeding as a "foreign main proceeding" as defined in section 1502(4) of the Bankruptcy Code:

- (a) the protections of sections 361 and 362 of the Bankruptcy Code apply to the Debtors and their assets in the United States;
- (b) the Foreign Representative is established as the representative of the Debtors with full authority to administer the Debtors' assets and affairs in the United States, including, without limitation, making payments on account of the Debtors' prepetition and postpetition obligations, as permitted by order of the Canadian Court and in accordance with any approved debtor in possession financing or budget in connection therewith;
- (c) the Foreign Representative is entrusted with the administration or realization of all or part of the Debtors' assets in the United States,

including, without limitation, all of the Debtors' assets that may have been transferred to parties in the United States;

- (d) all persons and entities are enjoined from seizing, attaching and/or enforcing or executing liens or judgments against the Debtors' property in the United States or from transferring, encumbering or otherwise disposing of or interfering with the Debtors' assets or agreements in the United States without the express consent of the Foreign Representative;
- (e) all persons and entities are enjoined from commencing or continuing, including the issuance or employment of process of, any judicial, administrative or any other action or proceeding involving or against the Debtors or their assets or proceeds thereof, or to recover a claim or enforce any judicial, quasi-judicial, regulatory, administrative or other judgment, assessment, order, lien or arbitration award against the Debtors or their assets or proceeds thereof; and
- (f) the Foreign Representative has the right and power to examine witnesses, take evidence or deliver information concerning the Debtors' assets, affairs, rights, obligations or liabilities.

3. Nothing herein shall enjoin a police or regulatory act of a governmental unit, including a criminal action or proceeding.

4. Notwithstanding anything to the contrary herein, nothing herein shall provide the Debtors with any greater protection for their U.S. assets than that provided under the Interim DIP Order (as entered in the chapter 11 case of Bear Island Paper Company, L.L.C. ("Bear Island")) with respect to Bear Island's assets vis-à-vis the postpetition lenders' rights and remedies under the interim DIP authorizations contained in the Interim DIP Order and the DIP credit documents, and the protections granted to the Debtors under this Order shall be subject to the terms of the Interim DIP Order.

5. Beginning on the date of the TRO and continuing until the date of the entry of a further order of this Court, the protections of sections 361 and 362 of the Bankruptcy Code, to the extent applicable, apply to the Debtors and their assets located in the U.S;

6. Beginning on the date of the TRO and continuing until the date of the entry of further order of this Court, all persons and entities are, except as permitted by the Initial CCAA Order or by leave of the Canadian Court, enjoined from: (a) commencing or continuing any legal proceeding (including, arbitration or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever), including any discovery, or taking any other action (each, an “Action”) against the Debtors, or against their assets, or proceeds thereof, located in the United States, or any of the Debtors’ rights, obligations, or liabilities; (b) the enforcement of any judicial, quasi-judicial, administrative or regulatory judgment, assessment or order or arbitration award against the Debtors or against their assets, or proceed thereof, located in the United States; (c) the commencement or continuation of any action to create, perfect or enforce any lien, setoff or other claim against the Debtors or against any of their assets, or the proceeds thereof, located in the United States; and (d) possessing or exercising control over the Debtors’ assets located in the United States, except for the Debtors and as authorized in writing by the Foreign Representative.

7. No person shall discontinue, fail to honor, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, license or permit in favor of or held by the Debtors, except with the written consent of the Debtors and the Monitor in the Canadian Proceeding, or leave of the Canadian Court, including as permitted by the Initial CCAA Order.

8. Except as permitted by the Initial CCAA Order or by leave of the Canadian Court, no Action may be commenced or continued against any of the former, current or future directors or officers of the Debtors with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Debtors whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the

payment or performance of such obligations, until a compromise or arrangement in respect of the Debtors, if one is filed, is sanctioned by the Canadian Court, or is refused by the creditors of the Debtors or the Canadian Court.

9. Until further order of this Court, the Foreign Representative is hereby established as the exclusive representative of the Debtors in the United States.

10. The Debtors, and White Birch Company in connection with its appointment as the Foreign Representative, are entitled to the full protections and rights available pursuant to section 1519(a) of the Bankruptcy Code on the terms set forth in this Order, including:

- (a) The right and power to administer and/or realize all or part of the Debtors' assets located in the United States in order to protect and preserve the value of such assets;
- (b) The right and power to prohibit the transfer, encumbrance or otherwise disposition of any assets of the Debtors, except by the Foreign Representative and the Debtors as provided in the TRO;
- (c) The right and power to examine witnesses, take evidence or deliver information concerning the Debtors' assets, affairs, rights, obligations or liabilities; and
- (d) The right and power to seek additional relief that is available to a trustee under the Bankruptcy Code, except for relief available under sections 522, 544, 545, 547, 548, 550 and 724(a) of the Bankruptcy Code.

11. Pursuant to Rule 65(b) of the Federal Rules of Civil Procedure, made applicable to these proceedings pursuant to Bankruptcy Rule 7065, no notice to any person is required prior to entry and issuance of the TRO.

12. The security provisions of Rule 65(c) of the Federal Rules of Civil Procedure, as made applicable by Bankruptcy Rule 7065, are waived.

13. Any party in interest: (a) may make a motion seeking relief from, or modification of, the TRO by filing a motion on not less than five (5) business days notice to United

States Counsel (defined below), counsel to the agent under the Debtors' proposed postpetition financing agreement and counsel to the agent under the First Lien Term Loan Agreement, seeking an order for such relief, and any such request shall be the subject of a hearing to be scheduled by the Court and (b) may file objections and be heard by the Court in accordance with the terms of any order of the Court providing for a hearing on any subsequent relief sought by the Foreign Representative in this proceeding.

14. Copies of the TRO and the Application shall be served via first class U.S. mail upon (a) the Office of the United States Trustee for the Eastern District of Virginia; (b) counsel to the agent under the Debtors' proposed postpetition financing agreement; (c) counsel to the agent under the First Lien Term Loan Agreement; (d) counsel to the agent under the Second Lien Term Loan Agreement; (e) counsel to the agent under the Revolving ABL Agreement; (f) counsel to counterparties under the Swap Agreements; (g) the monitor appointed in the CCAA Cases; (h) all parties to litigation currently pending in the United States to which any Debtor is a party; (i) SunTrust Bank; (j) HSBC Bank USA, N.A.; (k) vendors and suppliers of the Debtors located in the United States; and (l) any party-in-interest that becomes known to the Foreign Representative by U.S. Mail within two (2) business days following the time any such party is identified by the Foreign Representative. Such service shall be deemed adequate and sufficient service and notice for all purposes.

15. Objections and responses if any, to the Chapter 15 Petitions (including any objection to the entry of an order recognizing the Canadian Proceeding as a foreign main proceeding or continuation of this Provisional Order) must: (a) be made in writing, describe the basis therefore, and indicate the nature and extent of the respondent's interests in the Debtors' cases; (b) be filed with the Office of the Clerk of the Court, 701 East Broad Street, Richmond,

Virginia 23219; and (c) be served upon (i) Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022 (“United States Counsel”), Attn: Christopher J. Marcus; (ii) Troutman Sanders LLP, 222 Central Park Avenue, Suite 2000, Virginia Beach, Virginia 23462 (“Co-United States Counsel”), Attn.: Jonathan L. Hauser; and (iii) Stikeman Elliott, LLP, 1155 Rene-Levesque Blvd. West, Suite 4000, Montreal, QC H3B 3V2, Canada (“Canadian Counsel”), Attn.: Jean Fontaine, so as to be received by them no later than **March 11, 2010 on or before 5:00 pm (ET)**. This Court may enter an order granting the preliminary injunction requested in the Application without a hearing if no unresolved objections are filed with respect thereto.

16. The banks and financial institutions with which the Debtors maintain bank accounts or on which checks are drawn or electronic payment requests made in payment of prepetition or postpetition obligations are authorized and directed to continue to service and administer the Debtors’ bank accounts without interruption and in the ordinary course and to receive, process, honor and pay any and all such checks, drafts, wires and automatic clearing house transfers issued, whether before or after the Petition Date and drawn on the Debtors’ bank accounts by respective holders and makers thereof and at the direction of the Foreign Representative or the Debtors, as the case may be.

17. Notwithstanding any provision in the Bankruptcy Rules to the contrary: (a) the TRO shall be effective immediately and enforceable upon its entry; (b) the Foreign Representative is not subject to any stay in the implementation, enforcement or realization of the relief granted in the TRO; and (c) the Foreign Representative is authorized and empowered, and may in its discretion and without further delay, take any action and perform any act necessary to implement and effectuate the terms of the TRO.

18. This Court shall retain jurisdiction with respect to any matters, claims, rights or disputes arising from or related to the Motion or the implementation of the TRO.

Feb 26 2010

Dated: _____, 2010
Richmond, Virginia

/s/ Douglas O. Tice Jr.
United States Bankruptcy Judge

Entered on Docket: Feb 26 2010

I ASK FOR THIS:

/s/ Jonathan L. Hauser

Jonathan L. Hauser

VSF No. 18688

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- and -

KIRKLAND & ELLIS LLP

Richard M. Cieri (*pro hac vice* pending)

Christopher J. Marcus (*pro hac vice* pending)

Michael A. Cohen (*pro hac vice* pending)

601 Lexington Avenue

New York, New York 10022-4611

Telephone: (212) 446-4800

Facsimile: (212) 446-4900

Counsel to the Foreign Representative

CERTIFICATION OF ENDORSEMENT
UNDER LOCAL BANKRUPTCY RULE 9022-1(C)

Pursuant to Local Bankruptcy Rule 9022-1(C), I hereby certify that the foregoing proposed order has been endorsed by or served upon all necessary parties.

/s/ Jonathan L. Hauser

Jonathan L. Hauser
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Counsel to the Foreign Representative

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION**

_____	)	
In re:	)	Chapter 15
	)	
WHITE BIRCH PAPER COMPANY, <u>et al.</u> , ¹	)	Case No. 10-31234 (DOT)
	)	
Debtors in a Foreign Proceeding.	)	Jointly Administered
_____	)	

¹ The Debtors in these cases are: White Birch Paper Company (“White Birch Company”); Papier Masson Ltee (“Papier Masson”); Stadacona General Partner, Inc. (“Stadacona GP”); Stadacona Limited Partnership (“Stadacona LP”); F.F. Soucy Limited Partnership (“FF Soucy LP”); and F.F. Soucy Inc. & Partners, Limited Partnership (“FF Soucy & Partners LP”). The Debtors’ U.S. service address is 80 Field Point Road, Greenwich, Connecticut 06830.

**ORDER GRANTING A PRELIMINARY INJUNCTION AND OTHER
PROVISIONAL RELIEF UNDER CHAPTER 15 OF THE BANKRUPTCY CODE**

Upon the *Ex Parte Application for Entry of an Order (A) Granting Provisional Relief and Injunction and (B) Scheduling a Hearing* [Docket No. 7] (the “Application”) of White Birch Paper Company (“White Birch Company”), in its capacity as foreign representative (the “Foreign Representative”) of the above-captioned debtors (collectively, the “Debtors”) in a foreign proceeding (the “Canadian Proceeding”) under Canada’s *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”) pending before the Superior Court for the Province of Quebec, Commercial Division, Judicial District of Montreal, Canada (the “Canadian Court”), the Foreign Representative, pursuant to sections 105(a), 1519, 1520 and 1521 of the Bankruptcy Code, requests: (a) entry of a temporary restraining order enforcing the Petition for the Issuance of an Initial Order (the “Initial CCAA Order”) and related relief; (b) after seven days’ notice and a hearing on the Application (with such hearing to be held only to the extent unresolved objections exist), the Provisional Order pending entry of an order recognizing the Canadian Proceeding as a “foreign main proceeding” on a permanent basis; (c) the scheduling of a hearing on the Application; and (d) such other relief as may be just and proper; and upon consideration of the Application and the Sherrick Declaration and all documents attached thereto; and it appearing that this Court has jurisdiction to consider the Application pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of these cases and the Application in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1410(3); and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and it appearing that notice of the filing of the Application and the hearing thereon having been given in accordance with the Court’s *Temporary Restraining Order Granting Provisional Relief Pursuant to Chapter 15 of the Bankruptcy Code*

2 Capitalized terms used and not defined herein shall have the meaning ascribed to them in the Application.

[Docket No. 21] has been given as set forth therein and pursuant to Bankruptcy Rules 1011(b) and 2002(q), and that such notice is adequate and no other or further notice need be given; and a Hearing having been held to consider the relief requested in the Application (the “Hearing”) and upon the record of the Hearing and all of the proceedings held before the Court; and the Court having found and determined that the relief sought in the Application is consistent with the purpose of chapter 15 of the Bankruptcy Code and that the legal and factual bases set forth in the Application establish just cause for the relief granted herein; and no objections or other responses having been filed that have not been overruled, withdrawn or otherwise resolved; and after due deliberation and sufficient cause appearing therefore, the Court finds and concludes as follows:³

1. There is a substantial likelihood that the Foreign Representative will be able to demonstrate that the Canadian Proceeding is a “foreign main proceeding” as defined in section 1502(4) of the Bankruptcy Code.

2. The commencement or continuation of any action or proceeding in the United States against the Debtors or any of the Debtors’ assets or proceeds thereof, except as provided in the Interim Financing Credit Agreement (as defined in the CCAA Initial Order) and the CCAA Initial Order (as modified, amended or extended from time to time by the Canadian Court), should be enjoined on the terms set forth herein, pursuant to sections 105(a) and 1519 of the Bankruptcy Code to permit the expeditious and economical administration of the Debtors’ estates in the Canadian Proceeding, and the relief requested either (a) will not cause any undue hardship to other parties in interest or (b) any hardship to parties in interest is outweighed by the benefits of the relief requested.

³ The findings and conclusions set forth herein and in the record of the hearing on the Application constitute this Court’s findings of facts and conclusions of law pursuant to Fed. R. Civ. P. 52, as made applicable herein by Bankruptcy Rules 7052 and 9014. To the extent any of the findings of fact herein constitute conclusions of law, they are adopted as such. To the extent any of the conclusions of law herein constitute findings of fact, they are adopted as such.

3. Unless a preliminary injunction order is issued on the terms set forth herein, there is a material risk that the Debtors' assets could be subject to efforts by creditors or other parties in interest in the United States to control or possess the Debtors' assets located in the U.S. or take other detrimental business acts against such assets of the Debtors.

4. Such acts (other than such acts permitted pursuant to the Interim Financing Credit Agreement and the Initial CCAA Order -- as modified, amended or extended from time to time by the Canadian Court) could: (a) interfere with and cause harm to the jurisdictional mandate of this Court under chapter 15 of the Bankruptcy Code; (b) interfere with and cause harm to the Debtors' efforts to administer their estates pursuant to the Canadian Proceeding; and (c) undermine the Foreign Representative's efforts to achieve an equitable result for the benefit of all of the Debtors' creditors. Accordingly, absent entry of this Order there is a material risk that the Debtors may suffer immediate and irreparable injury for which they will have no adequate remedy at law, and therefore, it is necessary that the Court enter this Order.

5. The interest of the public will be served by this Court's entry of this Order.

6. Subject to the Interim Financing Credit Agreement and the Initial CCAA Order (as modified, amended or extended from time to time by the Canadian Court), the Debtors and the Foreign Representative are entitled to the full protections and rights available pursuant to section 1519(a) of the Bankruptcy Code on the terms set forth herein.

NOW THEREFORE, IT IS HEREBY ORDERED, THAT:

1. The Application is granted as set forth herein.
2. Beginning on the date of this Order and continuing until the date of the entry of an order of this Court recognizing (a) the Canadian Proceeding as a "foreign main proceeding" as defined in section 1502(4) of the Bankruptcy Code and (b) White Birch Company as a "foreign representative" as defined in section 101(24) of the Bankruptcy Code, and unless otherwise

extended pursuant to section 1519(b) of the Bankruptcy Code, then subject to the terms set forth herein, including without limitation in Paragraph 4 of this Order:

- (a) the protections of sections 361 and 362 of the Bankruptcy Code apply to the Debtors and their assets in the United States;
- (b) the Foreign Representative is established as the representative of the Debtors with full authority to administer the Debtors' assets and affairs in the United States, including, without limitation, making payments on account of the Debtors' prepetition and postpetition obligations as permitted by the Canadian Court and in accordance with any approved debtor in possession financing or budget in connection therewith;
- (c) the Foreign Representative is entrusted with the administration or realization of all or part of the Debtors' assets in the United States, including, without limitation, all of the Debtors' assets that may have been transferred to parties in the United States;
- (d) all persons and entities are enjoined from seizing, attaching and/or enforcing or executing liens or judgments against the Debtors' property in the United States or from transferring, encumbering or otherwise disposing of or interfering with the Debtors' assets or agreements in the United States without the express consent of the Foreign Representative;
- (e) all persons and entities are enjoined from commencing or continuing, including the issuance or employment of process of, any judicial, administrative or any other action or proceeding involving or against the Debtors or their assets or proceeds thereof, or to recover a claim or enforce any judicial, quasi-judicial, regulatory, administrative or other judgment, assessment, order, lien or arbitration award against the Debtors or their assets or proceeds thereof; and
- (f) the Foreign Representative has the right and power to examine witnesses, take evidence or deliver information concerning the Debtors' assets, affairs, rights, obligations or liabilities.

3. Nothing herein shall enjoin a police or regulatory act of a governmental unit, including a criminal action or proceeding.

4. Notwithstanding anything to the contrary herein, nothing herein shall provide the Debtors with any greater protection for their U.S. assets than that provided under the Initial CCAA Order with respect to the Debtors' Canadian assets vis-à-vis the postpetition lenders' rights

and remedies under the interim DIP authorizations contained in the Initial CCAA Order and the DIP credit documents, and the protections granted to the Debtors under this Order shall be subject to the terms of the Initial CCAA Order.

5. Except as permitted by the Initial CCAA Order (as modified, amended or extended from time to time by the Canadian Court) or by leave of the Canadian Court, no action may be commenced or continued against any of the former, current or future directors or officers of the Debtors with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Debtors whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Debtors, if one is filed, is sanctioned by the Canadian Court, or is refused by the creditors of the Debtors or the Canadian Court.

6. Until further order of this Court, the Foreign Representative is hereby established as the exclusive representative of the Debtors in the United States.

7. The Debtors and White Birch Company in connection with its appointment as the Foreign Representative are, subject to the terms and conditions of the Interim Financing Credit Agreement and the CCAA Initial Order (as modified, amended or extended from time to time by the Canadian Court), entitled to the full protections and rights available pursuant to section 1519(a) of the Bankruptcy Code on the terms set forth in this Order.

8. Pursuant to Rule 65(b) of the Federal Rules of Civil Procedure, made applicable to these proceedings pursuant Bankruptcy Rule 7065, no notice to any person is required prior to entry and issuance of this Order.

9. The security provisions of Rule 65(c) of the Federal Rules of Civil Procedure, as made applicable by Bankruptcy Rule 7065, are waived.

10. Subject to the Initial CCAA Order, any party in interest: (a) may make a motion seeking relief from, or modification of, this Order, by filing a motion on not less than five (5) business days notice to United States Counsel (defined below), counsel to the agent under the Debtor's postpetition financing agreement and counsel to the agent under the First Lien Term Loan Agreement, Latham & Watkins LLP, 885 Third Avenue, New York, New York 10022-4834, Attn.: Keith A. Simon, seeking an order for such relief, and any such request shall be the subject of a hearing to be scheduled by the Court and (b) may file objections and be heard by the Court in accordance with the terms of any order of the Court providing for a hearing on any subsequent relief sought by the Foreign Representative in this proceeding.

11. Copies of this Order, the proposed order recognizing the Canadian Proceeding as a foreign main proceeding and White Birch Company as a foreign representative, and notice of the hearing on the Petition shall be served via first class U.S. mail upon (a) the Office of the United States Trustee for the Eastern District of Virginia; (b) counsel to the agent under the Debtors' proposed postpetition financing agreement; (c) counsel to the agent under the First Lien Term Loan Agreement; (d) counsel to the agent under the Second Lien Term Loan Agreement; (e) counsel to the agent under the Revolving ABL Agreement; (f) counsel to counterparties under the Swap Agreements; (g) the monitor appointed in the CCAA Cases; (h) all parties to litigation currently pending in the United States to which any Debtor is a party; (i) SunTrust Bank; (j) HSBC Bank USA, N.A.; (k) vendors and suppliers of the Debtors located in the United States; (l) all other parties against whom the Debtors obtained provisional relief pursuant to section 1519 of the Bankruptcy Code; and (m) all parties that file notices of appearance in the Chapter 15 Cases

pursuant to Bankruptcy Rule 2002. Such service shall be deemed adequate and sufficient service and notice for all purposes.

12. The banks and financial institutions with which the Debtors maintain bank accounts or on which checks are drawn or electronic payment requests made in payment of prepetition or postpetition obligations are authorized and directed to continue to service and administer the Debtors' bank accounts without interruption and in the ordinary course and to receive, process, honor and pay any and all such checks, drafts, wires and automatic clearing house transfers issued, whether before or after the Petition Date and drawn on the Debtors' bank accounts by respective holders and makers thereof and at the direction of the Foreign Representative or the Debtors, as the case may be.

13. Notwithstanding any provision in the Bankruptcy Rules to the contrary: (a) this Order shall be effective immediately and enforceable upon its entry; (b) the Foreign Representative is not subject to any stay in the implementation, enforcement or realization of the relief granted in this Order; and (c) the Foreign Representative is authorized and empowered, and may in its discretion and without further delay, take any action and perform any act necessary to implement and effectuate the terms of this Order.

14. This Court shall retain jurisdiction with respect to any matters, claims, rights or disputes arising from or related to the Motion or the implementation of this Order.

Mar 5 2010
Dated: _____, 2010
Richmond, Virginia

/s/ Douglas O. Tice Jr.

United States Bankruptcy Judge

Entered on Docket: Mar 8 2010

I ASK FOR THIS:

/s/ Jonathan L. Hauser

Jonathan L. Hauser

VSF No. 18688

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Counsel to the Foreign Representative

CERTIFICATION OF ENDORSEMENT
UNDER LOCAL BANKRUPTCY RULE 9022-1(C)

Pursuant to Local Bankruptcy Rule 9022-1(C), I hereby certify that the foregoing proposed order has been endorsed by or served upon all necessary parties.

/s/ Jonathan L. Hauser

Appendix B – Order of the U.S. Bankruptcy
Court authorizing the Interim Financing
provisionally

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION**

In re:

BEAR ISLAND PAPER COMPANY, L.L.C.¹

Debtor.

Chapter 11

Case No. 10-31202 (DOT)

**INTERIM ORDER (I) AUTHORIZING THE DEBTOR TO
OBTAIN POST-PETITION SECURED FINANCING PURSUANT TO
11 U.S.C. § 364, (II) AUTHORIZING THE DEBTOR'S LIMITED USE OF
CASH COLLATERAL PURSUANT TO 11 U.S.C. § 363, (III) GRANTING
ADEQUATE PROTECTION TO PREPETITION DEBT LENDERS
PURSUANT TO 11 U.S.C. §§ 361, 362, 363 AND 364, AND (IV) SCHEDULING
FINAL HEARING PURSUANT TO BANKRUPTCY RULE 4001**

Upon the motion of the debtor and debtor-in-possession (the “**Debtor**” or the “**Borrower**”) in the above-captioned chapter 11 case (the “**Chapter 11 Case**”), dated February 24, 2010 (the “**Motion**”), (a) seeking the entry of this interim order (this “**Order**”) and a final order (the “**Final Order**”): (i) authorizing, among other things, the Debtor and certain of its affiliates to obtain senior secured post-petition financing in an aggregate principal amount not to exceed \$140,000,000 (the “**Postpetition Facility**”), pursuant to section 364 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (the “**Bankruptcy Code**”), and authorizing the Debtor and certain of its affiliates to unconditionally guaranty the Obligations under the Postpetition Facility, from Credit Suisse AG (or certain affiliates) (“**CS**”), as administrative agent and collateral agent (in such capacity, the “**Postpetition Agent**”) for itself, the other Agents and a syndicate of financial institutions (collectively, the “**Postpetition Lenders**”), pursuant to the terms of this Order and that certain Senior Secured Super-Priority Debtor-In-Possession Term Loan Credit Agreement, dated

¹ The last four digits of the Debtor’s federal tax identification number are 0914. The principal address for the Debtor is 10026 Old Ridge Road, Ashland, Virginia 23005.

as of February [], 2010, by and among the Borrower, the other Loan Parties, the Postpetition Agent and the Postpetition Lenders, in substantially the form attached to the Motion as Exhibit A (as the same may be amended, restated, supplemented or otherwise modified from time to time, the “**Postpetition Credit Agreement**”);² (ii) authorizing the Debtor to execute, deliver and enter into the Postpetition Credit Agreement and other Postpetition Loan Documents (as defined in paragraph 2 below) and to perform such other and further acts as may be required in connection with the Postpetition Loan Documents; (iii) granting security interests, liens, and superpriority claims to the Postpetition Agent, for the benefit of itself and the Postpetition Lenders, to secure all obligations of the Debtor under and with respect to the Postpetition Facility; (iv) authorizing the Debtor’s limited use of Cash Collateral (as defined in paragraph E below), solely on the terms and conditions set forth in this Order and in the Postpetition Loan Documents; (v) granting adequate protection to the Prepetition Debt Lenders (as defined in paragraph D(a)(1) below), as more fully set forth in this Order; and (vi) modifying the automatic stay imposed under section 362 of the Bankruptcy Code; (b) requesting, pursuant to Rule 4001 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”) and the applicable Local Bankruptcy Rules of this Court, that an emergency interim hearing (the “**Interim Hearing**”) on the Motion be held before this Court to consider entry of this Order, which authorizes the Debtor and other Loan Parties to borrow under the Postpetition Loan Documents, on an interim basis, up to an aggregate principal amount not to exceed \$104,000,000; and (c) requesting, pursuant to Bankruptcy Rules 4001(b)(2) and 4001(c)(2) and the applicable Local Bankruptcy Rules of this Court, that this Court (i) schedule a final hearing (the “**Final Hearing**”) on the Motion as set forth in paragraph 35 below to consider entry of the Final Order authorizing the balance of the borrowings under the Postpetition Loan Documents on a final basis, and (ii) approve notice procedures with respect thereto; and the Interim Hearing having been held before this Court on February 25, 2010; and this Court having considered the Motion and all pleadings related thereto, including the record made by the Debtor at the Interim Hearing; and after

² Capitalized terms used but not defined herein shall have the meaning assigned to such terms in the Postpetition Credit Agreement.

due deliberation and consideration, and good and sufficient cause appearing therefor:

THIS COURT HEREBY FINDS AND CONCLUDES AS FOLLOWS:³

A. Commencement of Case. On February 24, 2010 (the “**Petition Date**”), the Debtor filed with this Court a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtor is continuing to operate its businesses and manage its properties as a debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No request has been made for the appointment of a trustee or examiner, and no official committee of unsecured creditors (the “**Creditors’ Committee**”) has yet been appointed in the Chapter 11 Case.

B. Jurisdiction; Venue. This Court has jurisdiction over the Chapter 11 Case and the Motion pursuant to 28 U.S.C. §§ 157(b) and 1334. Consideration of the Motion constitutes a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The statutory predicates for the relief sought herein are sections 105, 361, 362, 363, and 364 of the Bankruptcy Code and Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure. Venue of the Chapter 11 Case in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

C. Adequate Notice. On February 24, 2010, the Debtor filed the Motion with this Court and pursuant to Bankruptcy Rules 2002, 4001 and 9014, and the Local Bankruptcy Rules of this Court, the Debtor has provided notice of the Motion and the Interim Hearing by electronic mail, facsimile, hand delivery or overnight delivery to the following parties and/or to their counsel as indicated: (i) the Office of the United States Trustee for this District (the “**U.S. Trustee**”); (ii) the Debtor’s twenty 20 largest unsecured creditors; (iii) counsel to the Postpetition Agent; (iv) counsel to each of the Prepetition Debt Agents (as defined in paragraph D(a)(1) below); (v) all other known parties with liens of record on assets of the Debtor as of the Petition Date; (vi) all financial institutions at which the Debtor maintains deposit accounts; (vii) the landlords for all non-residential real properties occupied by the Debtor as of the Petition Date; (viii) the local office for the Internal Revenue Service and (xi) all other parties required to receive notice pursuant to

³ Pursuant to Bankruptcy Rule 7052, any findings of fact contained herein that may be construed as matters of law shall be treated as conclusions of law as if set forth below, and vice versa.

Bankruptcy Rules 2002, 4001 or 9014 or requesting to receive notice prior to the date hereof (collectively, the “**Notice Parties**”). Given the nature of the relief sought in the Motion, this Court concludes that the foregoing notice was sufficient and adequate under the circumstances and complies with the Bankruptcy Code, the Bankruptcy Rules, and any other applicable law, and no further notice relating to this proceeding is necessary or required.

D. Prepetition Debt Loan Documents, Liens and Claims.

(a) Without prejudice to the rights of any other party, but subject to the time limitations specified in paragraph 31 of this Order, the Debtor admits, stipulates and agrees that, on and as of the Petition Date, the Debtor was indebted and bound as described below:

1. Defined Terms. The Prepetition Senior Agent, the Prepetition Junior Agent and the Prepetition Revolving Agent are collectively referred to herein as the “**Prepetition Debt Agents**.” The Prepetition Senior Lenders, the Prepetition Junior Lenders and the Prepetition Revolving Lenders are collectively referred to herein as the “**Prepetition Debt Lenders**.”

2. Prepetition Debt Loan Documents. The Prepetition Senior Credit Agreement, the Prepetition Junior Credit Agreement and the Prepetition Revolving Credit Agreement (collectively referred to herein as the “**Prepetition Debt Credit Agreements**”) and the other Prepetition Senior Loan Documents, Prepetition Junior Loan Documents, and Prepetition Revolving Loan Documents (referred to herein as the “**Prepetition Debt Loan Documents**”) are valid and enforceable and are in full force and effect.

3. Prepetition Debt Obligations. As of the Petition Date, the Debtor and other applicable loan parties were truly and justly indebted, without defense, counterclaim or offset of any kind, as follows:

(i) to the Prepetition Senior Agent and Prepetition Senior Lenders pursuant to the Prepetition Senior Loan Documents in the aggregate principal amount of not less than \$442,240,000;

(ii) to the Prepetition Junior Agent and Prepetition Junior Lenders pursuant to the Prepetition Junior Loan Documents in the aggregate principal amount of not less than \$100,000,000; and

(iii) to the Prepetition Revolving Agent and Prepetition Revolving Lenders pursuant to the Prepetition Revolving Loan Documents in the aggregate principal amount of not less than \$50,600,000

plus, with respect to each of (i) through (iii), all accrued or, subject to section 506(b) of the Bankruptcy Code, hereafter accruing and unpaid interest thereon and any additional fees, costs and expenses (including any reasonable attorneys' and other professional fees, costs and expenses) and other obligations now or hereafter due under the applicable Prepetition Debt Loan Documents (the Prepetition Senior Obligations, the Prepetition Junior Obligations and the Prepetition Revolving Obligations are collectively referred to herein as the "**Prepetition Debt Obligations**").

4. Validity of Prepetition Debt Obligations. The Prepetition Debt Obligations constitute legal, valid and binding obligations of the Debtor and each applicable loan party and no offsets, defenses or counterclaims to the Prepetition Debt Obligations exist. No portion of the Prepetition Debt Obligations or, subject to the Prepetition Intercreditor Agreement, any amounts previously paid to any Prepetition Debt Agent or any Prepetition Debt Lender on account of or with respect its applicable Prepetition Debt Obligations, are subject to avoidance, reduction, disgorgement, disallowance, impairment, recharacterization or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law.

5. Prepetition Debt Liens and Prepetition Debt Collateral. The respective security interests and liens securing the Prepetition Senior Obligations, the Prepetition Junior Obligations and the Prepetition Revolving Obligations (respectively, the "**Prepetition Senior Liens**", the "**Prepetition Junior Liens**" and the "**Prepetition Revolving Liens**" and collectively, the "**Prepetition Debt Liens**") constitute valid, binding, enforceable and perfected liens and security interests in and on the respective assets and property of the Debtor and other applicable loan parties (respectively, the "**Prepetition Senior Collateral**", the "**Prepetition Junior Collateral**" and the "**Prepetition Revolving Collateral**" and collectively, the "**Prepetition Debt Collateral**"), all as specified more fully in, and subject to the terms and conditions of, the Prepetition Debt Loan Documents.

6. Validity of Prepetition Debt Liens. The Prepetition Debt Liens are not subject to avoidance, reduction, disallowance or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law (except insofar as such liens are subordinated to the Postpetition Liens and the Carve-Out (each term as hereinafter defined) in accordance with the provisions of this Order).

7. No Claims or Causes of Action. The Debtor and its affiliates and subsidiaries have no valid claims (as such term is defined in section 101(5) of the Bankruptcy Code) or causes of action against any of the Prepetition Debt Agents or any of the Prepetition Debt Lenders with respect to the Prepetition Debt Credit Agreements or any other Prepetition Debt Loan Document, whether arising at law or at equity, including, without limitation, any re-characterization, subordination, avoidance or other debtor claims arising under or pursuant to sections 105, 510 or 542 through 553, inclusive, of the Bankruptcy Code.

(b) The Debtor irrevocably waives any right to challenge or contest the Prepetition Debt Liens and the validity of the Prepetition Debt Obligations; provided that, subject

to paragraph 30 of this Order and the time limitations specified in paragraph 31 of this Order, none of the foregoing acknowledgments or agreements by the Debtor contained in this paragraph D shall be binding on any other party and shall not affect the rights of any committee, Person or entity (other than the Debtor) with respect to their rights to assert, pursue or otherwise allege any of the claims and actions described in paragraph 31 of this Order.

(c) As used herein, the term “**Prior Liens**” means only valid, enforceable, and non-avoidable liens and security interests in the Prepetition Debt Collateral that were perfected prior to the Petition Date (or perfected on or after the Petition Date to the extent permitted by Section 546(b) of the Bankruptcy Code), which are not subject to avoidance, reduction, disallowance, impairment, recharacterization or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law and which are senior in priority to the applicable Prepetition Debt Liens under applicable law and after giving effect to any subordination or inter-creditor agreements. For the avoidance of doubt, the Prior Liens shall not include, or be deemed to include, any or all of the Prepetition Term Loan Liens and/or the Adequate Protection Term Loan Liens (as defined in paragraph 18(a) below), all of which liens are being primed by the Postpetition Liens as set forth herein, but the Prior Liens shall include the Prepetition Revolving Liens.

E. Cash Collateral. For purposes of this Order, the term “**Cash Collateral**” shall mean and include all “cash collateral” as defined by section 363(a) of the Bankruptcy Code and shall include and consist of, without limitation, all of the respective cash proceeds of the Postpetition Collateral (as defined below in paragraph 9 of this Order) and Prepetition Debt Collateral in which any of the Postpetition Agent, Postpetition Lenders, Prepetition Debt Agents or Prepetition Debt Lenders has an interest (including, without limitation, any adequate protection lien or security interest), whether such interest existed as of the Petition Date or arises thereafter pursuant to this Order, any other order of this Court, applicable law or otherwise.

F. Exigent Circumstances. The Debtor has an immediate and critical need to obtain post-petition financing under the Postpetition Facility and to use Cash Collateral in order to,

among other things, finance the ordinary costs of their operations, maintain business relationships with vendors, suppliers and customers, make payroll, make capital expenditures, and satisfy other working capital and operational needs and repay the Prepetition Revolving Obligations in full. The Debtor's access to sufficient working capital and liquidity through the incurrence of post-petition financing under the Postpetition Facility and the use of Cash Collateral under the terms of this Order is vital to the preservation and maintenance of the going concern value of the Debtor's estate. Consequently, without access to the Postpetition Facility and the use of Cash Collateral, to the extent authorized pursuant to this Order, the Debtor and its estate would suffer immediate and irreparable harm.

G. No Alternative Sources of Funding. The use of Cash Collateral alone would be insufficient to meet the Debtor's post-petition liquidity needs. Given the Debtor's current financial condition and capital structure, the Debtor has attempted but is unable to obtain (i) adequate unsecured credit allowable either (a) under sections 364(b) and 503(b)(1) of the Bankruptcy Code or (b) under section 364(c)(1) of the Bankruptcy Code, (ii) adequate credit secured by (x) a senior lien on unencumbered assets of its estate under section 364(c)(2) of the Bankruptcy Code and (y) a junior lien on encumbered assets under section 364(c)(3) of the Bankruptcy Code, or (iii) secured credit under section 364(d)(1) of the Bankruptcy Code, from sources other than the Postpetition Agent and the Postpetition Lenders on terms more favorable than the terms of the Postpetition Facility. The only source of secured credit available to the Debtor, other than the use of Cash Collateral, is the Postpetition Facility. The Debtor requires both additional financing under the Postpetition Facility and the use of Cash Collateral under the terms of this Order in order to satisfy its post-petition liquidity needs. After considering all other alternatives, the Debtor has concluded, in an exercise of its sound business judgment, that the financing to be provided by the Postpetition Agent and the Postpetition Lenders pursuant to the terms of this Order and the Postpetition Loan Documents represents the best financing presently available to the Debtor.

H. Willingness of Postpetition Lenders. The Postpetition Agent and the Postpetition Lenders have indicated a willingness to provide the Debtor with certain financing commitments, but solely on the terms and conditions set forth in this Order and in the Postpetition Loan Documents.

I. Limited Consent. The consent of the Prepetition Senior Agent and the Prepetition Senior Lenders to the priming of their liens by the Postpetition Liens is limited to the Postpetition Facility presently before this Court, with CS as Postpetition Agent and a subset of the Prepetition Senior Lenders as Postpetition Lenders, and shall not, and shall not be deemed to, extend to any other post-petition financing or to any modified version of this Postpetition Facility with any party other than CS as Postpetition Agent. Furthermore, the consent of the Prepetition Senior Agent and the Prepetition Revolving Agent to the Debtor's use of Cash Collateral (and, with respect to the Prepetition Senior Agent, the priming of its liens by the Postpetition Liens) as provided in this Order does not constitute, and shall not be construed as constituting, an acknowledgment or stipulation that their interests in their respective collateral are otherwise adequately protected. Nothing in this Order, including, without limitation, any of the provisions herein with respect to adequate protection, shall constitute, or be deemed to constitute, a finding that the interests of the Prepetition Senior Agent, any Prepetition Senior Lender, the Prepetition Revolving Agent or any Prepetition Revolving Lender are or will be adequately protected with respect to any non-consensual use of Cash Collateral or non-consensual priming of their respective liens or security interests.

J. Section 364(d) Finding. The security interests and liens granted pursuant to this Order to the Postpetition Agent, for the benefit of itself and the Postpetition Lenders, are appropriate under section 364(d) of the Bankruptcy Code because, among other things: (i) such security interests and liens do not impair the interests of any holder of a valid, perfected, prepetition security interest or lien in any property of the Debtor's estate, and/or (ii) the holders of such security interests and liens have consented (or are deemed to have consented) to the security

interests and priming liens granted pursuant to this Order to the Postpetition Agent for the benefit of itself and the Postpetition Lenders.

K. Prepetition Intercreditor Agreement. Pursuant and subject to Sections 2.1, 6.1 and 6.3 of that certain Second Amended and Restated Intercreditor Agreement, dated as of May 8, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the “**Prepetition Intercreditor Agreement**”), the Prepetition Junior Agent, on behalf of itself and the Prepetition Junior Lenders, has agreed: (i) to subordinate its liens in the Prepetition Senior Collateral to the Postpetition Liens and the Adequate Protection Senior Liens, and (ii) that it will not request adequate protection or any other relief in connection with the Debtor’s entry into the Postpetition Facility or use of Cash Collateral, except as expressly agreed to by the Prepetition Senior Agent or to the extent permitted under, and subject to the terms and conditions of, Sections 6.1 and 6.3 of the Prepetition Intercreditor Agreement.

L. Good Cause Shown. Good cause has been shown for immediate entry of this Order pursuant to Bankruptcy Rules 4001(b)(2) and (c)(2) and such relief is in the best interest of the Debtor, its estate and creditors. In particular, the authorizations granted herein for the Debtor to execute the Postpetition Loan Documents, to use the Cash Collateral, and to obtain interim financing, including on a priming lien basis, are necessary to avoid immediate and irreparable harm to the Debtor and its estate, are fair and reasonable, reflect the Debtor’s exercise of prudent business judgment consistent with its fiduciary duties, and are supported by reasonably equivalent value and fair consideration.

M. Section 364(e); Good Faith. The Postpetition Facility, Postpetition Loan Documents, use of Cash Collateral and provision of adequate protection contained herein have been negotiated in good faith and at arm’s-length among the Debtor, the Prepetition Senior Agent, the Prepetition Revolving Agent and Postpetition Agent. Accordingly, any credit extended and loans made to, Cash Collateral used by, and adequate protection provided by the Debtor pursuant to this Order shall be, and hereby are, deemed to have been extended, issued, made, used or

provided, as the case may be, in “good faith” as required by, and within the meaning of, section 364(e) of the Bankruptcy Code.

Based upon the foregoing findings, stipulations, and conclusions, and upon the record made before this Court at the Interim Hearing, and good and sufficient cause appearing therefor,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

1. Motion Granted. The Motion is approved on an interim basis on the terms and conditions set forth in this Order. This Order shall become effective immediately upon its entry. To the extent any provisions in this Order conflict with any provisions of the Postpetition Loan Documents, the provisions of this Order shall control and govern to the extent of such conflict. All objections to the entry of this Order have been withdrawn or overruled.

2. Postpetition Loan Documents. The terms and conditions of the Postpetition Credit Agreement are hereby approved. The Debtor is hereby authorized to enter into and deliver the Postpetition Credit Agreement and such additional documents, instruments, notes and agreements as may be reasonably required by the Postpetition Agent to implement the terms or effectuate the purposes of this Order (as such additional documents, instruments, notes and agreements may be amended, restated, supplemented or otherwise modified from time to time, together with the Postpetition Credit Agreement, the “**Postpetition Loan Documents**”). The Borrower is hereby authorized to borrow money under the Postpetition Credit Agreement, and guarantee the Obligations of the other Loan Parties thereunder, in accordance with the terms of this Order and the Postpetition Loan Documents. Upon execution and delivery thereof by the Borrower and the other Loan Parties, the Postpetition Loan Documents shall be incorporated by reference as part of this Order and shall constitute valid and binding obligations of the Debtor, enforceable against the Debtor (and its estate, successor and assigns) in accordance with the terms thereof.

3. Amendments. The Debtor is hereby authorized, without further notice, motion or application to, order of, or hearing before, this Court, to enter into and consummate any non-material modifications to the Approved Budget or the Postpetition Credit Agreement, or of any other modifications to the Postpetition Credit Agreement necessary to conform the Postpetition Credit Agreement to this Order; provided, however, that notice of any material modification or amendment to the Approved Budget or the Postpetition Credit Agreement shall be provided to counsel to the Creditors' Committee and counsel to the U.S. Trustee, each of whom shall have seven (7) days from the date of such notice within which to object in writing to such modification or amendment. If the Creditors' Committee or the U.S. Trustee timely objects to any material modification or amendment to the Approved Budget or the Postpetition Credit Agreement, then such modification or amendment shall only be permitted pursuant to an order of this Court; provided further that, until the Revolving Repayment Date (as defined in paragraph 4(c) below), any amendment or modification of the Approved Budget shall require either the written consent of the Prepetition Revolving Agent or approval of this Court.

4. Permitted Use.

a. Generally. Notwithstanding anything in this Order to the contrary, the Debtor may use the Cash Collateral and proceeds of the Postpetition Facility and incur Postpetition Obligations solely in accordance with and pursuant to the financial covenants, availability formulae, and other terms and conditions set forth in the Postpetition Loan Documents and this Order, but in all events only until the occurrence of the Maturity Date (regardless of whether the aggregate funds shown on the Approved Budget have been expended); provided that the consent to the use of Cash Collateral provided by the Prepetition Revolving Agent hereunder shall expire on March 3, 2010 (unless extended in the sole discretion of the Prepetition Revolving Agent or if the Revolving Repayment Date shall have occurred) and any further uses of its Cash Collateral shall be subject to further order of this Court. Notwithstanding the foregoing, but subject to the Maximum Amount (as defined in paragraph 7 below), if the Postpetition Agent or

the Postpetition Lenders in their respective sole discretion advance funds or provide other extensions of credit to the Debtor in excess of any financial covenants, availability formulae, or other terms and conditions (or any other limitations in the Postpetition Loan Documents, including, without limitation, the Approved Budget), such advances (and any other indebtedness in excess of such amount) shall constitute Postpetition Obligations entitled to the rights, priorities, benefits and protections of the Postpetition Loan Documents and this Order.

b. No Duty to Monitor Compliance. The Postpetition Agent, the Prepetition Debt Agents, the Postpetition Lenders, and the Prepetition Debt Lenders may assume the Debtor will comply with this Order, the Approved Budget and the Postpetition Loan Documents and shall not (i) have any obligation with respect to the Debtor's use of Cash Collateral or the use of proceeds of the Postpetition Facility; (ii) be obligated to ensure or monitor the Debtor's compliance with any financial covenants, formulae, or other terms and conditions of any Postpetition Loan Document or (iii) be obligated to pay any expenses incurred or authorized to be incurred pursuant to the Postpetition Loan Documents.

c. Repayment of Prepetition Revolving Loans. On the Closing Date, the Debtor shall repay the Prepetition Revolving Obligations in full in cash in accordance with the terms and conditions of the Prepetition Revolving Loan Documents. The payment by the Debtor of such amounts shall not alter or limit any rights and remedies of the Creditors' Committee or any other Person arising under paragraph 31 of this Order. Upon indefeasible payment and satisfaction in full in cash of the Prepetition Revolving Obligations (the date of such payment, the "**Revolving Repayment Date**"), the Prepetition Revolving Credit Agreement, Prepetition Revolving Loan Documents, and Prepetition Revolving Liens, shall, without further notice to, or action by, any Person, be deemed immediately terminated, extinguished and released, and the Prepetition Revolving Agent shall promptly execute and deliver to the Debtor and Postpetition Agent a payoff letter and such instruments of termination, release and satisfaction (in recordable form) as may be reasonably requested by the Debtor and/or the Postpetition Agent. Notwithstanding the above, any

indemnity provisions contained in the Prepetition Revolving Loan Documents shall survive such termination, release and satisfaction in the manner and to the extent set forth therein.

5. Postpetition Obligations. For purposes of this Order, the term “**Postpetition Obligations**” shall mean all amounts owing under the Postpetition Credit Agreement and other Postpetition Loan Documents (including, without limitation, all “Obligations” as defined in the Postpetition Credit Agreement) and shall include the principal of, interest on, fees, costs, expenses and other charges owing in respect of, such amounts (including, without limitation, any reasonable attorneys’ and other professional fees, costs and expenses that are chargeable or reimbursable under the Postpetition Loan Documents), and any obligations in respect of indemnity claims, in each case whether contingent or otherwise.

6. Interest, Fees, Costs and Expenses. The Postpetition Obligations shall bear interest at the rates (including default rates when applicable), and be due and payable (and paid), as set forth in, and in accordance with the terms and conditions of, this Order and the Postpetition Loan Documents, in each case without further notice, motion or application to, order of, or hearing before, this Court. The Debtor shall pay on demand all fees, costs, expenses and other charges payable under and pursuant to the terms of the Postpetition Loan Documents, including, without limitation, all of the fees, costs and expenses described in Section 2.4 (Fees), Section 2.15 (Indemnity) and Section 9.4 (Payment of Expenses) of the Postpetition Credit Agreement. None of such fees, costs and expenses shall be subject to Court approval or U.S. Trustee guidelines, and no recipient of any such payment shall be required to file with respect thereto any interim or final fee application with this Court; provided, that the Postpetition Agent and Postpetition Lenders shall submit summaries of their respective professional fee invoices to the Debtor, the U.S. Trustee and counsel for the Creditors’ Committee. Such invoices may be redacted to the extent necessary to prevent disclosure of any information subject to the attorney-client privilege, any attorney work product, or any other confidential, privileged, or protected information, and the provision of such invoices shall not constitute any waiver of the attorney-client privilege or of any benefits of the

attorney work product doctrine or any other applicable privilege or protection. The U.S. Trustee and the Creditors' Committee may object to the reasonableness of the fees, costs and expenses included in any such professional fee invoice; provided that, any such objection shall be forever waived and barred unless (i) it is filed with this Court and served on the applicable professional no later than ten (10) days after the objecting party's receipt of the applicable professional fee invoice and (ii) it describes with particularity the items or categories of fees, costs and expenses that are the subject of the objection and provides the specific basis for the objection to each such item or category of fees, costs and expenses. Any hearing on an objection to payment of any fees, costs and expenses of the Postpetition Agent or any Postpetition Lender set forth in a professional fee invoice shall be limited to the reasonableness or necessity of the particular items or categories of the fees, costs and expenses which are the subject of such objection. The Debtor shall indemnify the Postpetition Agent and the Postpetition Lenders (and other applicable parties) to the extent set forth in the Postpetition Loan Documents, including, without limitation, as provided in Section 2.15 (Indemnity) of the Postpetition Credit Agreement. All such unpaid fees, costs, expenses, charges and indemnities shall constitute Postpetition Obligations and shall be secured by the Postpetition Collateral as specified in this Order. Any and all fees, costs and expenses paid prior to the Petition Date by the Debtor to the Postpetition Agent or Postpetition Lenders in connection with or with respect to the Postpetition Facility, Postpetition Credit Agreement or other Postpetition Loan Documents are hereby approved in full.

7. Maximum Amount. Subject to the terms and conditions set forth in this Order and in the Postpetition Loan Documents, the Debtor may use the proceeds of the Postpetition Facility and the Cash Collateral solely to: (i) pay outstanding Postpetition Obligations as provided in the Postpetition Loan Documents and this Order, (ii) repay the Prepetition Revolving Obligations in full on the Closing Date as provided in paragraph 4 above, (iii) make the adequate protection payments required under this Order, and (iv) fund general corporate and working capital requirements of the Debtor in accordance with the terms of the Postpetition Loan

Documents. The aggregate principal amount of Loans available under the Postpetition Credit Agreement shall not at any time exceed \$140,000,000 without further order of this Court (the “**Maximum Amount**”), provided, however, that from and after the entry of this Order and prior to the entry of the Final Order, the Maximum Amount shall be limited to \$104,000,000, in each case with respect to the Debtor and all other Loan Parties in the aggregate.

8. Approved Budget.

a. Generally. Attached hereto as Exhibit A is a 13-week budget (the “**Initial Approved Budget**”) which reflects on a line-item basis the Debtor’s anticipated cumulative cash receipts and expenditures on a weekly basis and all necessary and required cumulative expenses which the Debtor expects to incur during each week of the Initial Approved Budget. The Initial Approved Budget may be modified or supplemented from time to time by additional budgets (covering any time period covered by a prior budget or covering additional time periods) prepared by the Debtor and approved by the Postpetition Agent and Syndication Agent in writing in accordance with the terms of the Postpetition Credit Agreement (each such additional budget, a “**Supplemental Approved Budget**”), in each case without further notice, motion or application to, order of, or hearing before, this Court (except as required by paragraph 3 above). The aggregate, without duplication, of all items that are set forth in the Initial Approved Budget, as such budget may be amended, modified, replaced, or supplemented from time to time by any Supplemental Approved Budget, shall constitute the “**Approved Budget.**” Notwithstanding the foregoing, until the Revolving Repayment Date, any amendment or modification of the Approved Budget shall require either the written consent of the Prepetition Revolving Agent or approval of this Court.

b. Budget Covenants. The Debtor shall provide to the Postpetition Agent, so as actually to be received within four (4) Business Days following the Friday of each week (the “**Report Date**”), weekly line-by-line certified variance reports for the preceding weekly period and on a cumulative basis from the Petition Date to such Report Date, comparing actual

cash receipts and disbursements to amounts projected in the Approved Budget, in form and scope acceptable to the Postpetition Agent and Syndication Agent. The Debtor shall, on the fourth (4th) Business Day of each week beginning with the first full week after the Petition Date until the Maturity Date, deliver to the Postpetition Agent an updated, “rolling” 13-week budget which sets forth by line item updated projected receipts and disbursements for the Debtor and the other Loan Parties during the period commencing from the end of the previous week through and including thirteen weeks thereafter; provided that the Debtor shall still be subject to and be governed by the terms of the Approved Budget then in effect and the Postpetition Agent, Prepetition Debt Agents, Postpetition Lenders and Prepetition Debt Lenders shall, as applicable and subject to the terms of the Postpetition Loan Documents and the Prepetition Intercreditor Agreement, have no obligation to fund to such updated “rolling budget” or permit the use of Cash Collateral with respect thereto. The Debtor shall, by no later than five (5) Business Days prior to the end of the period covered by the then applicable Approved Budget, deliver to the Postpetition Agent a Supplemental Approved Budget. Prior to the Revolving Repayment Date, the foregoing reports and budget shall be promptly provided by the Debtor to the Prepetition Revolving Agent.

9. Postpetition Liens. As security for the full and timely payment of the Postpetition Obligations, the Postpetition Agent, for the benefit of the Postpetition Agent, the other Agents thereunder, and the Postpetition Lenders, is hereby granted, pursuant to sections 364(c)(2), 364(c)(3) and 364(d)(1) of the Bankruptcy Code, valid, binding, enforceable, unavoidable and fully perfected security interests, liens and mortgages (collectively, the “Postpetition Liens”) in and upon all pre-petition and post-petition real and personal, tangible and intangible property and assets of the Debtor of any kind or nature whatsoever, wherever located, whether now existing or hereafter acquired or arising, including, without limitation, all cash (including all Cash Collateral, wherever held), cash equivalents, bank accounts, accounts, other receivables, chattel paper, contract rights, inventory, instruments, documents, securities (whether or not marketable), equipment, goods, fixtures, real property interests, intellectual property, general intangibles,

investment property, supporting obligations, letter of credit rights, commercial tort claims, one hundred percent (100%) of the Capital Stock of the Debtor's direct and indirect domestic and foreign subsidiaries (other than the Capital Stock of any Excluded Non US Subsidiary of the Company, in respect of which only 65% of the voting Capital Stock and 100% of the non-voting Capital Stock shall be subject to such security interests and liens), all inter-company notes held by the Debtor, the Soucy Intercompany Note, trademarks, trade names, licenses, rights to payment including tax refund claims, and causes of action (exclusive of actions for preferences, fraudulent conveyances, and other avoidance power claims under chapter 5 of the Bankruptcy Code (the "**Avoidance Actions**")), but, upon entry of the Final Order, inclusive of the proceeds and recoveries from the Avoidance Actions (the "**Avoidance Action Proceeds**")), the Prepetition Senior Collateral, and the Prepetition Revolving Collateral, and the proceeds, products, offspring, rents and profits of all of the foregoing, including insurance proceeds (all of the foregoing, the "**Postpetition Collateral**"); provided that the Avoidance Actions Proceeds shall be substantially the last collateral used to repay the Postpetition Obligations.

10. **Other Priority Matters.** Subject to the Carve-Out, the Postpetition Liens: (a) shall, pursuant to section 364(c)(2) of the Bankruptcy Code, constitute first priority security interests in and liens on all Postpetition Collateral that is not otherwise subject to any Prior Lien; (b) shall, pursuant to section 364(d)(1) of the Bankruptcy Code, be senior to and prime (i) the Prepetition Term Loan Liens, (ii) the Adequate Protection Term Loan Liens, and (iii) solely with respect to the Prepetition Senior Collateral, the Adequate Protection Revolving Liens (the liens described in clauses (i), (ii) and (iii) above, collectively, the "**Primed Liens**"); and (c) shall, pursuant to section 364(c)(3) of the Bankruptcy Code, be immediately junior in priority to any and all Prior Liens (other than the Primed Liens) on or in the Postpetition Collateral. Other than the Carve-Out and Prior Liens, the Postpetition Liens shall at all times be senior to the following (collectively, the "**Subordinate Liens and Related Rights**"): (i) the rights of the Debtor and any successor trustee or estate representative in the Chapter 11 Case or any other subsequent

proceedings under the Bankruptcy Code, including, without limitation, any Chapter 7 proceeding if the Chapter 11 Case is converted to a case under Chapter 7 of the Bankruptcy Code (the “**Successor Case**”); (ii) any inter-company claim of the Debtor or any domestic or foreign subsidiary or affiliate of the Debtor, and (iii) any security interest or lien which is either (x) avoided or otherwise preserved for the benefit of the Debtor’s estate under section 551 or any other provision of the Bankruptcy Code, or (y) junior or otherwise subordinate to the Prepetition Senior Liens. The Postpetition Liens shall be deemed legal, valid, binding, enforceable, and perfected liens, not subject to subordination, impairment or avoidance, for all purposes in the Chapter 11 Case and any Successor Case. Other than the Carve-Out and Prior Liens, no other liens or security interests, whether for adequate protection or otherwise, shall be senior or equal to or pari passu with the Postpetition Liens in the Chapter 11 Case or any Successor Case without the express written consent of the Postpetition Agent and Syndication Agent given in accordance with the terms of the Postpetition Credit Agreement. Notwithstanding anything herein to the contrary, all parties retain and reserve all their rights to dispute the validity, priority, enforceability and perfection of the Prior Liens.

11. **Super-Priority Claim.** In addition to the Postpetition Liens, the Postpetition Agent, the other Agents thereunder, and Postpetition Lenders are hereby granted, for all Postpetition Obligations, an allowed super-priority administrative expense claim pursuant to Section 364(c)(1) of the Bankruptcy Code (the “**Super-Priority Claim**”) against the Debtor and its estate. Except for the Carve-Out, the Super-Priority Claim shall have priority over all other costs and expenses of administration of any kind (and no cost or expense of administration shall be senior to, equal to, or pari passu with, the Super-Priority Claim), including those specified in, or ordered pursuant to, sections 105, 326, 328, 330, 331, 363, 364, 503, 506, 507, 546, 726, 1113 or 1114 or any other provision of the Bankruptcy Code or otherwise (whether incurred in the Chapter 11 Case or any Successor Case, whether for adequate protection, the lack of, or failure to provide, adequate protection, or otherwise, including, without limitation, the Adequate Protection Claims

(as defined below)). The Super-Priority Claim shall at all times be senior to the following (collectively, the “**Subordinate Claims and Related Rights**”): the claims and rights of (i) the Debtor or any domestic or foreign subsidiary or affiliate of the Debtor, (ii) any successor trustee or estate representative in the Chapter 11 Case or any Successor Case, or (iii) except for the Carve-Out, any other creditor or party in interest in the Chapter 11 Case or any Successor Case. The Super-Priority Claim and the Adequate Protection Claims (as defined below) shall be payable from, and have recourse to, all property and assets of the Debtor, including, without limitation, the Avoidance Action Proceeds; provided that the Avoidance Action Proceeds shall be substantially the last collateral used to repay the Super-Priority Claim and the Adequate Protection Claims (as applicable).

12. **No Reduction or Impairment.** No obligation or liability owed, or payment, transfer or grant of security, to the Postpetition Agent, the other Agents thereunder, or any Postpetition Lender under this Order or any other Postpetition Loan Document shall be stayed, restrained, voidable, impaired, or recoverable under the Bankruptcy Code or under any applicable law (including, without limitation, under section 502(d) or 548 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law), or be subject to any defense, reduction, setoff, recoupment or counterclaim, whether in the Chapter 11 Case or any Successor Case. Any Postpetition Obligations, once paid by the Debtor or any other Loan Party, shall be non-refundable. The Postpetition Agent, the Prepetition Debt Agents, the Postpetition Lenders and the Prepetition Debt Lenders shall not be subject to the equitable doctrine of “marshaling”, “election of remedies” or any other similar doctrine, or an “equities of the case” claim under section 552(b) of the Bankruptcy Code, in each case with respect to any of its respective interests in the Postpetition Collateral and Prepetition Debt Collateral (as applicable).

13. **Carve-Out.**

a. Generally. Notwithstanding anything to the contrary contained in this Order, upon the occurrence of the Carve-Out Trigger Date (as defined below), the liens and claims granted to any of the Postpetition Agent, Postpetition Lenders, Prepetition Debt Agents, and Prepetition Debt Lenders in this Order, the Postpetition Loan Documents and/or the Prepetition Debt Loan Documents shall be subject to the payment, without duplication, of the following fees and claims (collectively, the “**Carve-Out**”) to the extent that there are not sufficient, unencumbered funds in the Debtor’s estate or in the possession of any other Loan Party to pay such amounts at the time payment is required to be made:

(i) with respect to claims incurred prior to the Carve-Out Trigger Date, the claims of (x) professionals of the Debtor whose retention is approved by this Court during the Chapter 11 Case pursuant to Sections 327, 328 and 363 of the Bankruptcy Code (the “**Debtor’s Professionals**”) for unpaid fees and expenses which were incurred on and after the Petition Date and prior to the Carve-Out Trigger Date; and (y) professionals of any statutory committees appointed in the Chapter 11 Case whose retention is approved by this Court during the Chapter 11 Case pursuant to Section 1103 of the Bankruptcy Code (the “**Committee’s Professionals**” and together with the Debtor’s Professionals, the “**Retained Professionals**”) for unpaid fees and expenses which were incurred on and after the Petition Date and prior to the Carve-Out Trigger Date; provided that, in each case, such fees and expenses of the Retained Professionals are ultimately allowed on a final basis by this Court under sections 330 and 331 of the Bankruptcy Code, comply with the Approved Budget and are not excluded from the Carve-Out under paragraph 30 of this Order (such fees and expenses, the “**Pre-Carve-Out Trigger Date Expenses**” and the permitted amount thereof, the “**Pre-Carve-Out Trigger Date Amount**”);

(ii) with respect to claims incurred on or after the Carve-Out Trigger Date, the claims of Retained Professionals for unpaid fees and expenses which were incurred on and after the Carve-Out Trigger Date; provided that, in each case, such fees and expenses of the Retained Professionals are ultimately allowed on a final basis by this Court under sections 330 and 331 of the Bankruptcy Code, are not excluded from the Carve-Out under paragraph 30 of this Order and do not exceed \$2,800,000 in the aggregate for all of the Retained Professionals (such fees and expenses, the “**Post-Carve-Out Trigger Date Expenses**” and the permitted amount thereof, the “**Post-Carve-Out Trigger Date Amount**” and, together with the Pre-Carve-Out Trigger Date Amount, the “**Carve-Out Amount**”); and

(iii) unpaid fees payable to the United States Trustee and Clerk of the Bankruptcy Court pursuant to Section 1930 of Title 28 of the United States Code.

b. Carve-Out Trigger Date. As used herein, the term “Carve-Out Trigger Date” means the date on which the Postpetition Agent provides written notice to the Debtor that the Carve-Out is invoked, which notice shall be delivered only on or after the occurrence and continuation of an Event of Default under the Postpetition Credit Agreement.

c. Carve-Out Trigger Date Amounts. Subject to the terms and conditions of this Order and the Postpetition Loan Documents, the Debtor shall be permitted, during the time period prior to the Carve-Out Trigger Date, to pay compensation and reimbursement of reasonable fees and expenses of the Retained Professionals allowed and payable under sections 328, 330 and 331 of the Bankruptcy Code and that are consistent with the Approved Budget, as the same may be due and payable, that constitute Pre-Carve-Out Trigger Date Expenses and such payments shall not reduce or be deemed to reduce the Post-Carve-Out Trigger Date Amount. On and after the Carve-Out Trigger Date, the dollar amounts available to be paid under the Carve-Out Amount shall be reduced, dollar-for-dollar, by the aggregate amount of payments made to the Retained Professionals on account of their Pre-Carve-Out Trigger Date Expenses or Post-Carve-Out Trigger Date Expenses (whether from Cash Collateral, any proceeds of the Postpetition Facility, or otherwise).

d. Reservation of Rights. Payment of any fees and expenses of the Retained Professionals pursuant to the Carve-Out shall not, and shall not be deemed to, (i) reduce the Debtor’s obligations owed to any of the Postpetition Agent, Postpetition Lenders, Prepetition Debt Agents, and/or Prepetition Debt Lenders or (ii) subordinate, modify, alter or otherwise affect any of the claims, liens, and security interests of such parties. The Postpetition Agent, Postpetition Lenders, Prepetition Debt Agents, and Prepetition Debt Lenders shall not be responsible for the direct payment or reimbursement of any fees or disbursements of any Retained Professionals (or of any other Person) incurred in connection with the Chapter 11 Case or any Successor Case, and nothing in this Order or otherwise shall be construed to obligate such parties in any way to pay compensation to or to reimburse expenses of any Retained Professional or any other Person, or to

ensure that the Debtor has sufficient funds to pay such compensation or reimbursement. Nothing herein shall impair, or be construed to impair, the ability of any party to object to any of the fees, expenses, reimbursement or compensation of the Retained Professionals. For the avoidance of doubt, the Carve-Out described herein is an aggregate carve-out for the Debtor and all respective Loan Parties. Notwithstanding anything in this Order to the contrary, upon the occurrence of the Final Revolving Allowance Date (as defined in paragraph 31(a) below), the Prepetition Revolving Agent and the Prepetition Revolving Lenders shall have no further liabilities or obligations with respect to or regarding the Carve-Out.

14. [Intentionally Omitted.]

15. Chapter 11 Milestones. The Debtor shall comply in all respects with the milestone covenants and deadlines set forth in Section 5.19 of the Postpetition Credit Agreement, for which time is of the essence. Subject to the terms and conditions of the Prepetition Intercreditor Agreement and applicable law, the respective rights of the Postpetition Agent, Postpetition Lenders, Prepetition Debt Agents, and Prepetition Debt Lenders to credit bid all or any portion of the Postpetition Obligations and Prepetition Debt Obligations (as applicable) under section 363(k) of the Bankruptcy Code and other applicable law in connection with any proposed sale of Prepetition Debt Collateral or Postpetition Collateral (other than the sale of Inventory in the ordinary course of the Debtor's business), or to object to such proposed sale or other Asset Sale, are preserved.

16. Landlord Agreements. Upon entry of the Final Order, all landlord agreements to which any of the Prepetition Debt Agents is a party shall be deemed amended to include the Postpetition Agent as a beneficiary thereunder, and such agreements shall thereafter be additionally enforceable by the Postpetition Agent against, and binding upon, each landlord party thereto in accordance with, and subject to, its respective terms and conditions until the Postpetition Obligations shall have been paid in full in cash and the Postpetition Credit Agreement shall have been terminated.

17. Adequate Protection Senior Obligations. Until the indefeasible repayment in full in cash of the Prepetition Senior Obligations, as adequate protection for the Prepetition Senior Agent's interest in the Prepetition Senior Collateral, the Prepetition Senior Agent and Prepetition Senior Lenders are hereby granted the following:

a. Replacement Liens. Pursuant to sections 361(2), 362, 363(c)(2), and 363(e) of the Bankruptcy Code, the Prepetition Senior Agent, for its benefit and the benefit of the Prepetition Senior Lenders, is hereby granted by the Debtor continuing valid, binding, enforceable and perfected, liens and security interests in and on all of the Postpetition Collateral (the "**Adequate Protection Senior Liens**"). The Adequate Protection Senior Liens shall (a) be subordinate only to: (1) the Carve-Out, (2) the Postpetition Liens, (3) the Prior Liens and (4) solely with respect to that portion of the Postpetition Collateral that is Prepetition Revolving Collateral (and property that is acquired, obtained or received by the Debtor on or after the Petition Date that is of the same kind, category, type or nature as the Prepetition Revolving Collateral), the Prepetition Revolving Liens and Adequate Protection Revolving Liens; and (b) be senior and superior to the Subordinate Liens and Related Rights. The Adequate Protection Senior Liens shall be deemed legal, valid, binding, enforceable, and perfected liens, not subject to subordination, impairment or avoidance, for all purposes in the Chapter 11 Case and any Successor Case. Except as described in clause (a) above, no other liens or security interests, whether for adequate protection or otherwise, shall be senior or equal to or pari passu with the Adequate Protection Senior Liens in the Chapter 11 Case or any Successor Case.

b. Adequate Protection Senior Claim. Pursuant to section 507(b) of the Bankruptcy Code, the Prepetition Senior Agent, for its benefit and the benefit of the Prepetition Senior Lenders, shall have an allowed super-priority administrative expense claim (the "**Adequate Protection Senior Claim**") against the Debtor and its estate. The Adequate Protection Senior Claim shall: (a) be subordinate only to: (1) the Carve-Out, and (2) the Super-Priority Claim; (b) be senior and superior to the Subordinate Claims and Related Rights; and (c) be equal in priority to

and pari passu with the Adequate Protection Revolving Claim (as defined below). Except as described in clauses (a) and (c) above, no cost or expense of administration under any provision of the Bankruptcy Code (whether incurred in the Chapter 11 Case or any Successor Case, whether for adequate protection, the lack of, or failure to provide, adequate protection, or otherwise), shall be senior to, equal to, or pari passu with, the Adequate Protection Senior Claim.

c. Current Payment. As further adequate protection, and without limiting any rights of the Prepetition Senior Agent and the Prepetition Senior Lenders under section 506(b) of the Bankruptcy Code, which are hereby preserved, and in consideration, and as a requirement, for obtaining the consent of the Prepetition Senior Agent and Prepetition Senior Lenders to the entry of this Order and the Debtor's consensual use of Cash Collateral as provided herein, the Debtor shall, on the Closing Date and on a monthly basis thereafter, pay or reimburse the Prepetition Senior Agent for any and all of its accrued and outstanding fees, costs, expenses and charges payable under the Prepetition Senior Loan Documents, including without limitation, the reasonable attorneys' and other professional fees, costs and expenses of the Prepetition Senior Agent, whether accrued prepetition or postpetition, all without further notice, motion or application to, order of, or hearing before, this Court.

d. Adequate Protection Senior Obligations. The Adequate Protection Senior Liens and Adequate Protection Senior Claim shall secure the payment of the Prepetition Senior Obligations in an amount equal to any diminution in the value of the Prepetition Senior Agent's interests in the Prepetition Senior Collateral from and after the Petition Date (the amount of such diminution, the "**Adequate Protection Senior Obligations**") including, without limitation, any such diminution resulting from the following: (i) the use by the Debtor of the Prepetition Senior Collateral, including, without limitation, the Cash Collateral, (ii) the imposition of the Postpetition Liens, which will prime the Primed Liens, (iii) the imposition of the automatic stay pursuant to section 362(a) of the Bankruptcy Code or (iv) the physical deterioration, consumption,

use, sale, lease, disposition, shrinkage, or decline in market value of the Prepetition Senior Collateral or otherwise.

18. Adequate Protection Junior Obligations. Until the indefeasible repayment in full in cash of the Prepetition Junior Obligations, as adequate protection for the Prepetition Junior Agent's interest in the Prepetition Senior Collateral, the Prepetition Junior Agent and Prepetition Junior Lenders are hereby granted the following:

a. Replacement Liens. Pursuant to sections 361(2), 362, 363(c)(2), and 363(e) of the Bankruptcy Code, the Prepetition Junior Agent, for its benefit and the benefit of the Prepetition Junior Lenders, is hereby granted by each Debtor continuing valid, binding, enforceable and perfected, liens and security interests in and on all of the Postpetition Collateral (the "**Adequate Protection Junior Liens**" and, together with the Adequate Protection Senior Liens, the "**Adequate Protection Term Loan Liens**"). The Adequate Protection Junior Liens shall be entitled to the same rights, priorities, benefits and protections granted to or conferred upon the Adequate Protection Senior Liens under this Order, except that such Adequate Protection Junior Liens shall be junior and subordinate in right of payment to the Prepetition Senior Liens and the Adequate Protection Senior Liens.

b. Adequate Protection Junior Claim. Pursuant to section 507(b) of the Bankruptcy Code, the Prepetition Junior Agent, for its benefit and the benefit of the Prepetition Junior Lenders, shall have an allowed super-priority administrative expense claim (the "**Adequate Protection Junior Claim**" and, together with the Adequate Protection Senior Claim, the "**Adequate Protection Term Loan Claims**") against the Debtor and its estate. The Adequate Protection Junior Claim shall be entitled to the same rights, priorities, benefits and protections granted to or conferred upon the Adequate Protection Senior Claim under this Order, except that such Adequate Protection Junior Claim shall be junior and subordinate to the Adequate Protection Senior Claim.

c. Adequate Protection Junior Obligations. The Adequate Protection Junior Liens and Adequate Protection Junior Claim shall secure the payment of the Prepetition Junior Obligations in an amount equal to any diminution in the value of the Prepetition Junior Agent's interests in the Prepetition Senior Collateral from and after the Petition Date (the amount of such diminution, the "**Adequate Protection Junior Obligations**" and, together with the Adequate Protection Senior Obligations, the "**Adequate Protection Term Loan Obligations**") including, without limitation, any such diminution resulting from the following: (i) the use by the Debtors of the Prepetition Senior Collateral, including, without limitation, the Cash Collateral, (ii) the imposition of the Postpetition Liens, which will prime the Primed Liens, (iii) the imposition of the automatic stay pursuant to section 362(a) of the Bankruptcy Code or (iv) the physical deterioration, consumption, use, sale, lease, disposition, shrinkage, or decline in market value of the Prepetition Senior Collateral or otherwise.

19. Adequate Protection Revolving Obligations. Until the indefeasible repayment in full in cash of the Prepetition Revolving Obligations, as adequate protection for the Prepetition Revolving Agent's interest in the Prepetition Revolving Collateral, the Prepetition Revolving Agent and Prepetition Revolving Lenders are hereby granted the following:

a. Replacement Liens. Pursuant to sections 361(2), 362, 363(c)(2), and 363(e) of the Bankruptcy Code, the Prepetition Revolving Agent, for its benefit and the benefit of the Prepetition Revolving Lenders, is hereby granted by the Debtor continuing valid, binding, enforceable and perfected, liens and security interests in and on all of the Postpetition Collateral (the "**Adequate Protection Revolving Liens**" and together with the Adequate Protection Term Loan Liens, the "**Adequate Protection Liens**"). The Adequate Protection Revolving Liens shall (a) be subordinate only to: (1) the Carve-Out, (2) solely with respect to that portion of the Postpetition Collateral that is Prepetition Senior Collateral, the Postpetition Liens, the Prepetition Term Loan Liens and the Adequate Protection Term Loan Liens, and (3) the Prior Liens; and (b) be senior and superior to the other Subordinate Liens and Related Rights. The Adequate

Protection Revolving Liens shall be deemed legal, valid, binding, enforceable, and perfected liens, not subject to subordination, impairment or avoidance, for all purposes in the Chapter 11 Case and any Successor Case. Except as described in clause (a) above, no other liens or security interests, whether for adequate protection or otherwise, shall be senior or equal to or pari passu with the Adequate Protection Revolving Liens in the Chapter 11 Case or any Successor Case.

b. Adequate Protection Revolving Claim. Pursuant to section 507(b) of the Bankruptcy Code, the Prepetition Revolving Agent, for its benefit and the benefit of the Prepetition Revolving Lenders, shall have an allowed super-priority administrative expense claim (the “**Adequate Protection Revolving Claim**” and together with the Adequate Protection Term Loan Claims, the “**Adequate Protection Claims**”) against the Debtor and its estate. The Adequate Protection Revolving Claim shall be entitled to the same rights, priorities, benefits and protections granted to or conferred upon the Adequate Protection Senior Claim under this Order and shall be equal in priority to and pari passu with the Adequate Protection Senior Claim.

c. Current Payment. As further adequate protection, and without limiting any rights of the Prepetition Revolving Agent and the Prepetition Revolving Lenders under section 506(b) of the Bankruptcy Code, which are hereby preserved, and in consideration, and as a requirement, for obtaining the consent of the Prepetition Revolving Agent and Prepetition Revolving Lenders to the entry of this Order and the Debtor’s consensual use of Cash Collateral as provided herein, the Debtor shall, on the Closing Date and on a monthly basis thereafter, pay to the Prepetition Revolving Agent any accrued interest and post-petition interest monthly on the Prepetition Revolving Obligations at the applicable non-default rate as provided in the Prepetition Revolving Credit Agreement, plus prompt payment on a current basis of all other accrued and outstanding fees, costs and expenses payable under the Prepetition Senior Revolving Loan Documents, including without limitation, the reasonable attorneys’ and other professional fees, costs and expenses of the Prepetition Revolving Agent, whether accrued prepetition or

postpetition, all without further notice, motion or application to, order of, or hearing before, this Court.

d. Adequate Protection Revolving Obligations. The Adequate Protection Revolving Liens and Adequate Protection Revolving Claim shall secure the payment of the Prepetition Revolving Obligations in an amount equal to any diminution in the value of the Prepetition Revolving Agent's interests in the Prepetition Revolving Collateral from and after the Petition Date (the amount of such diminution, the "**Adequate Protection Revolving Obligations**" and together with the Adequate Protection Term Loan Obligations, the "**Adequate Protection Obligations**") including, without limitation, any such diminution resulting from the following: (i) the use by the Debtors of the Prepetition Revolving Collateral, including, without limitation, the Cash Collateral, (ii) the imposition of the automatic stay pursuant to section 362(a) of the Bankruptcy Code or (iii) the physical deterioration, consumption, use, sale, lease, disposition, shrinkage, or decline in market value of the Prepetition Revolving Collateral or otherwise.

20. Subordination of Prepetition Obligations. Notwithstanding anything in this Order to the contrary, any and all claims and liens of the Postpetition Agent, the other Agents thereunder, and Postpetition Lenders arising with respect to or in connection with this Order or Postpetition Loan Documents (the "**Superior Obligations**"), including, without limitation, the Postpetition Obligations, Postpetition Liens, and Super-Priority Claims, must and shall be indefeasibly paid and satisfied in full in cash and all lending commitments under the Postpetition Loan Documents must be terminated before any payment or distribution, whether pursuant to a plan of reorganization, setoff or otherwise, may or can be made to or retained by any of the Prepetition Term Loan Agents or Prepetition Term Loan Lenders (in their respective capacities as such) arising with respect to or in connection with this Order (except with respect to any payments described in paragraph 17(c) of this Order) and/or the Prepetition Term Loan Documents (collectively, the "**Subordinate Obligations**").

21. Waiver of Section 506(c) Claims. Upon entry of the Final Order, no costs or expenses of administration or other charge, lien, assessment or claim incurred on or after the Petition Date of any Person or entity shall be imposed against the Postpetition Agent, Postpetition Lenders, Prepetition Debt Agents, or Prepetition Debt Lenders, or their respective claims or collateral under section 506(c) of the Bankruptcy Code or otherwise, and the Debtor hereby irrevocably waives any and all such rights, remedies and benefits under section 506(c) of the Bankruptcy Code.

22. Other Waivers. Except for the Carve-Out and Prior Liens or as otherwise permitted by the Prepetition Intercreditor Agreement, no claim or lien having a priority superior to or pari passu with those granted pursuant to this Order to the Postpetition Agent, the Postpetition Lenders, the Prepetition Senior Agent, and the Prepetition Senior Lenders, respectively, shall be granted or allowed while any portion of the Postpetition Facility (or any refinancing thereof), the Commitments (as defined in the Postpetition Credit Agreement) thereunder, the Postpetition Obligations and/or the Adequate Protection Senior Obligations remain outstanding. Except as expressly permitted by the Postpetition Credit Agreement, but subject to the terms and conditions of the Prepetition Intercreditor Agreement, the Debtor shall not grant mortgages, security interests, or liens in the Postpetition Collateral to any parties other than the Postpetition Agent, the other Agents thereunder and Postpetition Lenders (in their capacities as such) pursuant to section 364(d) of the Bankruptcy Code or otherwise.

23. Automatic Perfection.

a. The Postpetition Liens and the Adequate Protection Liens shall not be subject to challenge and shall attach and become valid, perfected, enforceable, non-avoidable and effective by operation of law as of the Petition Date without any further notice, act or action of or by any Person or entity, and without the necessity of execution by the Debtor, or the filing or recordation, of any financing statements, security agreements, vehicle lien applications, mortgages, filings with the U.S. Patent and Trademark Office, or other documents. If the Postpetition Agent

or Prepetition Debt Agents hereafter requests that the Debtor execute and deliver to it any financing statements, security agreements, collateral assignments, mortgages, or other instruments and documents considered by such party to be reasonably necessary or desirable to further evidence the perfection of the liens and security interests provided under this Order, then the Debtor shall promptly execute and deliver such financing statements, security agreements, mortgages, collateral assignments, instruments, and documents, and the Postpetition Agent and Prepetition Debt Agents (as applicable) are hereby authorized to file or record such documents in their respective discretion, in which event all such documents shall be deemed to have been filed or recorded at the time and on the date of entry of this Order, but with the priorities as set forth herein. The Postpetition Agent and Prepetition Debt Agents may, but shall not be required to, file a certified copy of this Order in any filing or recording office in any state, county or other jurisdiction in which the Debtor has real or personal property and such filing or recording shall be accepted and shall constitute sufficient evidence of perfection of such applicable parties' interests in the Postpetition Collateral at the time and on the date of entry of this Order, but with the priorities as set forth herein.

b. Notwithstanding anything in this Order to the contrary, (i) the Prepetition Senior Agent and Prepetition Senior Lenders shall not request or file such financing statements, mortgages, notices of lien or similar instruments, or otherwise confirm the perfection of such security interests and liens granted in this Order, unless the Postpetition Agent shall theretofore have done so or consented thereto and (ii) the Prepetition Junior Agent and Prepetition Junior Lenders shall not request or file such financing statements, mortgages, notices of lien or similar instruments, or otherwise confirm the perfection of such security interests and liens granted in this Order, unless the Prepetition Senior Agent shall theretofore have done so or consented thereto.

c. To the extent that any applicable non-bankruptcy law would otherwise restrict the grant, scope, enforceability, attachment or perfection of the security interests

and liens authorized or created under or in connection with this Order or the Postpetition Loan Documents, or otherwise would impose filing or registration requirements or fees and charges with respect thereto, such law is hereby pre-empted to the maximum extent permitted by the United States Constitution, the Bankruptcy Code, applicable federal law, and the judicial power of the United States Bankruptcy Court.

24. Default Under Other Documents. Except as otherwise expressly provided herein, notwithstanding anything to the contrary contained in any prepetition or postpetition agreement, contract, document, note or instrument to which the Debtor is a party or under which the Debtor is obligated or bound, any provision that restricts, conditions, prohibits, limits or impairs in any way the Debtor from granting the Postpetition Agent, the Prepetition Debt Agents, the Postpetition Lenders, and the Prepetition Debt Lenders, the postpetition security interests or liens upon any of its assets, properties or other Postpetition Collateral or otherwise entering into and complying with all of the terms, conditions and provisions of this Order and Postpetition Loan Documents shall be unenforceable against the Debtor, and therefore, shall not adversely affect the validity, priority, perfection or enforceability of the liens, security interests, claims, rights, priorities and/or protections granted to such parties pursuant to this Order and/or the Postpetition Loan Documents (as applicable).

25. Successors and Assigns. The provisions of this Order and the Postpetition Loan Documents shall, as applicable, be binding upon and inure to the benefit of the Postpetition Agent, the Prepetition Debt Agents, the Postpetition Lenders, the Prepetition Debt Lenders and the Debtor and its estate, and their respective successors and assigns, including, without limitation, any trustee or other fiduciary hereafter appointed as a legal representative of any of the Debtor or its estate, whether in the Chapter 11 Case or any Successor Case.

26. Survival. The provisions of this Order and any actions taken pursuant thereto: (a) shall survive the entry of any order: (i) converting the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code; or (ii) dismissing or closing the Chapter 11 Case; and (b) shall

continue in full force and effect notwithstanding the entry of any such order. Pursuant to section 1141(d)(4) of the Bankruptcy Code, the Debtor hereby waives any discharge as to the Postpetition Obligations and such Postpetition Obligations shall be paid in full in cash on the effective date of any plan of reorganization confirmed in the Chapter 11 Case (if not already paid).

27. Section 364(e); Effect of Modification or Appeal. Based on the findings set forth in this Order, in consideration for the financing provided under Postpetition Facility, the Postpetition Agent, the other Agents thereunder, and the Postpetition Lenders are entitled to, and hereby are granted, the full rights, benefits, privileges and protections of, and provided by, section 364(e) of the Bankruptcy Code with respect to the Postpetition Obligations (and related liens, claims, rights, remedies and benefits) created or authorized by this Order in the event that this Order or any authorization or approval contained herein is subsequently stayed, vacated, reversed, amended or modified on appeal. Any subsequent stay, modification, reversal, amendment or vacation of this Order shall not alter, modify or affect the validity, priority, perfection or enforceability of any claim, lien, or security interest of the Postpetition Agent, the Prepetition Debt Agents, the Postpetition Lenders, or the Prepetition Debt Lenders authorized, created or granted pursuant to this Order and outstanding immediately prior to the actual receipt of written notice by the Postpetition Agent and Prepetition Debt Agents of the effective date of such stay, modification, reversal, amendment or vacation. Notwithstanding any such stay, modification, reversal, amendment or vacation, all obligations and other financial accommodations made pursuant to this Order, all Postpetition Obligations incurred and uses of Cash Collateral pursuant hereto prior to the actual receipt of written notice by the Postpetition Agent and the Prepetition Debt Agents of the effective date of such stay, modification, reversal, amendment or vacation, shall be governed in all respects by the original provisions of this Order and such agents (and the respective related lenders) shall be entitled to all of the rights, privileges, remedies, protections and benefits contained or granted in section 364(e) of the Bankruptcy Code, the Postpetition Loan Documents

and this Order (as applicable), including, without limitation, the Postpetition Liens, Super-Priority Claims, Adequate Protection Liens, and Adequate Protection Claims.

28. Modification of Automatic Stay; Other Remedies.

a. Subject to sub-paragraph (c) below, the automatic stay pursuant to section 362 of the Bankruptcy Code is hereby lifted and vacated as to the Postpetition Agent and Postpetition Lenders to the extent necessary to permit them to perform in accordance with, provide any notice under, and exercise, enjoy and enforce their respective rights, benefits, privileges and remedies pursuant to this Order and the other Postpetition Loan Documents, in each case without further notice, motion or application to, order of, or hearing before, this Court. Subject to sub-paragraph (c) below, regardless of any change in circumstances (whether or not foreseeable), neither section 105 of the Bankruptcy Code nor any other provision of the Bankruptcy Code or applicable law shall be utilized to prohibit the Postpetition Agent's or Postpetition Lenders' exercise, enjoyment and enforcement of any of such rights, benefits, privileges and remedies as and to the extent provided in this Order.

b. Subject to sub-paragraph (c) below, the Postpetition Agent and Postpetition Lenders are hereby authorized and granted leave from the automatic stay under section 362 of the Bankruptcy Code to do the following on and after the occurrence and continuation of an Event of Default under the Postpetition Credit Agreement (or otherwise on and after the Maturity Date), in each case without further notice, motion or application to, order of, or hearing before, this Court (except as expressly provided below):

- (i) terminate any obligation of Postpetition Agent or Postpetition Lenders to make loans or other extensions of credit under the Postpetition Loan Documents or this Order;
- (ii) declare all Postpetition Obligations immediately due and payable in full in cash;
- (iii) revoke the Debtor's right, if any, under this Order and/or the other Postpetition Loan Documents to use Cash

Collateral (after providing one (1) business day's prior written notice to the Debtor, the Creditors' Committee, the U.S. Trustee and the Prepetition Debt Agents); and

- (iv) receive and apply proceeds of Postpetition Collateral to the Postpetition Obligations in accordance with the terms and conditions of this Order and the Postpetition Loan Documents.

c. Upon the occurrence and during the continuation of an Event of Default, or upon the occurrence of the Maturity Date, and after providing five (5) business days' prior written notice to the Debtor, the Creditors' Committee, the U.S. Trustee and the Prepetition Debt Agents, the Postpetition Agent (acting at the direction of the Majority Lenders under the Postpetition Loan Agreement) shall, unless prohibited by this Court at a hearing held during such five (5) business day period, be entitled to foreclose or otherwise enforce its respective liens on any or all of the Postpetition Collateral and/or to exercise any other default-related rights and remedies under the Postpetition Loan Documents, this Order and applicable law to the extent not already permitted pursuant to the terms of this Order, all without further notice, motion or application to, hearing before, or order from this Court as the automatic stay pursuant to section 362 of the Bankruptcy Code is hereby lifted and vacated as to the Postpetition Agent. The Debtor acknowledges and agrees, and this Court hereby orders, that the only issue to be determined and decided at any Court hearing regarding such matters is whether an Event of Default has occurred and is continuing under the Postpetition Credit Agreement or whether the Maturity Date has occurred and notice of such hearing need only be given to the Debtor, any statutory committee of unsecured creditors and the U.S. Trustee.

29. No Waiver of Rights.

a. Generally. Without limiting the terms and conditions of paragraphs 9 through 12 and 20 of this Order, none of the Postpetition Agent, Postpetition Lenders, Prepetition Debt Agents, or Prepetition Debt Lenders waives, and each expressly reserves, any and

all claims, liens, causes of action, defenses, rights and remedies it has or may have pursuant to any or all of their respective loan documents, the Prepetition Intercreditor Agreement, any other inter-creditor or subordination agreement, the Bankruptcy Code and/or under applicable law against or with respect to the Debtor, the Loan Parties and any other Person or entity.

b. Relative Priorities; Prepetition Intercreditor Agreement. In determining the relative priorities, rights and remedies of the Prepetition Term Loan Agents and Prepetition Term Loan Lenders (including, without limitation, the relative priorities and rights of such parties with respect to the replacement liens and administrative expense claims granted, or amounts payable, by the Debtor under this Order and the modification of the automatic stay), such priorities, rights and remedies shall, pursuant to section 510 of the Bankruptcy Code, continue to be governed by the Prepetition Intercreditor Agreement. Without limiting the terms and conditions of paragraphs 9 through 12 and 20 of this Order, nothing in this Order or the Postpetition Loan Documents shall, or shall be deemed to, alter, amend, modify, impair, diminish or otherwise affect the terms and conditions of the Prepetition Intercreditor Agreement, which terms and conditions remain in full force and effect as between or among such parties. Furthermore, pursuant to section 510 of the Bankruptcy Code, any other inter-creditor or subordination agreement between and/or among the Prepetition Debt Agents, any Prepetition Debt Lender, the Debtor or other Loan Party and any other non-Debtor party thereto, and any other applicable inter-creditor or subordination provisions contained in any credit agreement, security agreement, indenture or related document, remain in full force and effect and are not amended, altered or modified by the terms of this Order or the Postpetition Loan Documents.

c. Additional Rights Preserved. Without limiting the generality of this paragraph 29, but subject to the Prepetition Intercreditor Agreement, the Postpetition Agent, Postpetition Lenders, Prepetition Debt Agents, and Prepetition Debt Lenders may, as applicable, petition this Court for any such additional protection they may require with respect to their respective rights, liens and claims, including, without limitation, their rights to request additional

adequate protection, to terminate or modify exclusivity and to modify or terminate the automatic stay. Entry of this Order shall not in any way constitute agreement, consent, or acquiescence by any Person to the terms of any plan of reorganization filed in the Chapter 11 Case.

30. Restriction on Use of Lenders' Funds. No portion of the Postpetition Facility, the Postpetition Collateral, the Prepetition Senior Collateral, the Prepetition Revolving Collateral, the Cash Collateral, or the Carve-Out, and no disbursements set forth in the Approved Budget, shall be used for the payment of professional fees, disbursements, costs or expenses incurred in connection with asserting any claims, actions or causes of action against any of the Postpetition Agent, Postpetition Lenders, Prepetition Debt Agents, or Prepetition Debt Lenders, including, without limitation, any action or the filing or prosecution of any pleading (i) challenging, contesting or raising any defenses or objections to the Postpetition Obligations or the Prepetition Debt Obligations (or liens securing the same), (ii) seeking or requesting, or obtaining approval for, the non-consensual use of Cash Collateral or proceeds of the Postpetition Facility or (iii) seeking or requesting, or obtaining approval for, the imposition of any non-consensual lien or claim senior to, or pari passu with, the Postpetition Liens, Super-Priority Claims, Adequate Protection Liens, Adequate Protection Claims, and/or Prepetition Debt Liens; provided, that no more than \$50,000 in the aggregate of the proceeds of the Postpetition Facility or the Postpetition Collateral (including the Cash Collateral) may be used by the Creditors' Committee to investigate the Prepetition Debt Obligations and the Prepetition Debt Liens.

31. Release of Claims.

a. The stipulations and admissions contained in Paragraph D of this Order, and repayment of the Prepetition Revolving Obligations, shall be binding on all parties in interest, including, without limitation, the Creditors' Committee (and any subsequent trustee of the Debtor's estate), unless, and solely to the extent that, (i) a party in interest with standing and requisite authority has timely filed a complaint and commenced an adversary proceeding (subject

to the limitations set forth in paragraph 30 of this Order) challenging the amount, validity, or enforceability of the Prepetition Debt Obligations, or the perfection or priority of the Prepetition Debt Liens (as applicable), in each case no later than the earlier of (x) sixty (60) days after the date of appointment of the Creditors' Committee or (y) seventy-five (75) days after the Petition Date (such earlier date, the "**Complaint Filing Deadline**"), and (ii) this Court rules in favor of the plaintiff in any such timely and properly commenced adversary proceeding.

b. If no such adversary proceeding is timely and properly commenced by the Complaint Filing Deadline, or to the extent such adversary proceeding does not result in a final and non-appealable order of this Court that is inconsistent with the acknowledgments of the Debtor contained in paragraph D of this Order, then, without the requirement or need to file any proof of claim with respect thereto and without further notice, motion or application to, order of, or hearing before, this Court, but in all cases subject to the Prepetition Intercreditor Agreement and paragraph 29 of this Order, the acknowledgments of the Debtor contained in paragraph D of this Order, and repayment of the Prepetition Revolving Obligations, shall be binding, conclusive and final on the Creditors' Committee (and any subsequent trustee of the Debtor's estate) and any other Person, entity or party-in-interest in the Chapter 11 Case and any Successor Case and (i) the claims, liens and security interests of the Prepetition Debt Agents and the Prepetition Debt Lenders shall be deemed to be finally allowed for all purposes in the Chapter 11 Case and any Successor Case and shall not be subject to challenge by any party in interest as to validity, priority or otherwise (and the repayment of the Prepetition Revolving Obligations shall not be subject to disgorgement, reduction or other challenge (such date with respect to the Prepetition Revolving Obligations, the "**Final Revolving Allowance Date**")), and (ii) the Debtor and its estate shall be deemed to have forever released any and all claims or causes of action against the Prepetition Debt

Agents and the Prepetition Debt Lenders with respect to the Prepetition Debt Loan Documents or any related transactions. Notwithstanding anything to the contrary herein, if any such adversary proceeding is timely commenced, the stipulations contained in paragraph D hereof shall nonetheless remain binding on all parties in interest and preclusive (as provided in this paragraph 31) except to the extent that such stipulations are expressly challenged in such adversary proceeding. Nothing in this Order confers or grants (or adversely affects) standing of any Person or entity (other than the Debtor and its affiliates) to file and prosecute any such claims or causes of action released in this Order.

32. No Liability to Third Parties. In making decisions to advance loans to the Debtor, in administering any loans, in permitting the Debtor to use Cash Collateral, in approving any budget or in taking any actions permitted by this Order or the Postpetition Loan Documents, as applicable, the Postpetition Agent, the Postpetition Lenders, the Prepetition Debt Agents, and the Prepetition Debt Lenders shall not (i) be deemed to be in control of the operations of the Debtor or to be acting as a “controlling person,” “responsible person” or “owner or operator” with respect to the operation or management of the Debtor, and/or (ii) owe any fiduciary duty to the Debtor, its respective creditors or its respective estate, and their relationship with the Debtor shall not constitute or be deemed to constitute a joint venture or partnership with the Debtor.

33. No Direction of Application. Notwithstanding anything to the contrary contained in this Order, and regardless of the manner in which payments on account of any Postpetition Obligations or Prepetition Debt Obligations or other receipts of Cash Collateral are characterized as between the Debtor and Loan Parties, on the one hand, and the Postpetition Agent, the Prepetition Debt Agents, the Postpetition Lenders and the Prepetition Debt Lenders, on the other hand, the provisions of the Postpetition Loan Documents, the Prepetition Intercreditor Agreement, and the Prepetition Debt Loan Documents shall continue to govern, as between or among the Postpetition Agent, the Prepetition Debt Agents, the Postpetition Lenders and the

Prepetition Debt Lenders, the manner in which any such payments or receipts are applied, distributed or characterized.

34. Authorized Signatories. The signature of Jay Epstein or Ed Sherrick, each an officer of the Debtor (or their designee), appearing on any one or more of the Postpetition Loan Documents shall be sufficient to bind the Debtor and each other Loan Party. No board of directors, shareholder or other approval or resolutions shall be necessary or required to consummate any of the transactions contemplated in this Order.

35. Master Proof of Claim. The Prepetition Debt Agents are authorized (but not required) to file a master proof of claim against the Debtor (the “**Master Proof of Claim**”) on behalf of itself and its respective Prepetition Debt Lenders, on account of their prepetition claims arising under their respective Prepetition Debt Loan Documents, and such agents and their respective counsel shall not be required to file a verified statement pursuant to Bankruptcy Rule 2019. If a Prepetition Debt Agent so files a Master Proof of Claim, then such agent (on its behalf and on behalf of each applicable Prepetition Debt Lender), as the case may be, and each of their respective successors and assigns, shall be deemed to have filed a proof of claim in the aggregate amount set forth therein in each of the Chapter 11 Case and any Successor Case, and the claims of the applicable Prepetition Debt Agent and each applicable Prepetition Debt Lender, as the case may be, (and their respective successors and assigns) contained in the Master Proof of Claim shall be allowed or disallowed as if each such entity had filed a separate proof of claim in the Chapter 11 Case in the aggregate amount set forth therein. Subject to the Prepetition Intercreditor Agreement, each Prepetition Debt Agent shall further be authorized to amend its respective Master Proof of Claim from time to time to, among other things, reflect a change in the holders of the claims set forth therein or a reallocation among such holders of the claims asserted therein resulting from any transfer of such claims. Subject to the Prepetition Intercreditor Agreement, the provisions set forth in this Paragraph and any Master Proof of Claim filed pursuant to the terms hereof are intended solely for the purpose of administrative convenience and shall not affect the substantive rights of

any party in interest or their respective successors in interest, including, without limitation, the numerosity requirements set forth in section 1126 of the Bankruptcy Code.

36. Final Hearing: Procedure for Objections to and Entry of Final Order. The Motion is set for a Final Hearing before this Court to be held in at 11:00 a.m. Eastern time on March 22, 2010, at which time any party in interest may present any timely filed objections to the entry of the Final Order. The Debtor shall, in accordance with the Bankruptcy Code, Bankruptcy Rules and Local Bankruptcy Rules of this Court, promptly serve a notice of the Final Hearing and entry of this Order, together with a copy of this Order, by electronic mail, facsimile, hand delivery or overnight delivery to the Notice Parties and Creditors' Committee (once appointed) or its counsel. Such notice shall state that objections to the entry of the Final Order shall be in writing and shall be filed with the United States Bankruptcy Court for the Eastern District of Virginia by no later than 4:00 P.M. (Prevailing Eastern time) on March 15, 2010 (the "**Objection Deadline**"), which objections shall be served so that the same are actually received by the Objection Deadline by: (i) Christopher Marcus, Kirkland & Ellis LLP, 601 Lexington Avenue, New York, NY 10022, christopher.marcus@kirkland.com and Jonathan L. Hauser Troutman Sanders LLP, P.O. Box 61185, 222 Central Park Drive, Suite 2000 Virginia Beach, Virginia 23462 jonathan.hauser@troutmansanders.com (counsel to the Debtor), (ii) Keith A. Simon, Latham & Watkins LLP, 885 Third Avenue, New York, New York 10022, keith.simon@lw.com (counsel to the Postpetition Agent & Prepetition Senior Agent); and (iii) the office of the United States Trustee. Any objections by creditors or other parties-in-interest to any of the provisions of the Final Order shall be deemed forever waived and barred unless timely filed and served in accordance with this paragraph.

Feb 26 2010

Dated: _____, 2010.

/s/ Douglas O. Tice Jr.

Douglas O. Tice, Chief Judge
United States Bankruptcy Court

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I ASK FOR THIS

/s/ Jonathan L. Hauser

Jonathan L. Hauser

VSb No. 18688

TROUTMAN SANDERS LLP

222 Central Park Avenue

Suite 2000

Virginia Beach, VA 23462

Telephone: (757) 687-7768

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- and -

KIRKLAND & ELLIS LLP

Richard M. Cieri (*pro hac vice* pending)

Christopher J. Marcus (*pro hac vice* pending)

Michael A. Cohen (*pro hac vice* pending)

601 Lexington Avenue

New York, New York 10022-4611

Telephone: (212) 446-4800

Facsimile: (212) 446-4900

*Proposed Attorneys for the Debtor and
Debtor in Possession*

**CERTIFICATION OF ENDORSEMENT
UNDER LOCAL BANKRUPTCY RULE 9022-1(C)**

Pursuant to Local Bankruptcy Rule 9022-1(C), I hereby certify that the foregoing proposed order has been endorsed by or served upon all necessary parties.

/s/ Jonathan L. Hauser

EXHIBIT A

[Initial Approved Budget]

396624v1

NY\1621205.2

While Brock Plant
Rolling Week Forecast
Weeks Ending February 19, 2018-May 14, 2018

CONSOLIDATED- DIP Basis
in \$000's

CONFIDENTIAL

	1	2	3	4	5	6	7	8	9	10	11	12	13	
	Wk Ending 2/19	Wk Ending 2/26	Wk Ending 3/5	Wk Ending 3/12	Wk Ending 3/19	Wk Ending 3/26	Wk Ending 4/2	Wk Ending 4/9	Wk Ending 4/16	Wk Ending 4/23	Wk Ending 4/30	Wk Ending 5/7	Wk Ending 5/14	13 Week Total
Operating Receipts														
Bear Island	2,647	4,773	1,305	1,525	2,525	2,315	2,919	1,875	1,475	2,575	4,218	1,875	1,475	31,981
Stations	3,645	6,274	3,849	4,737	6,365	8,331	4,189	5,280	5,274	5,693	9,061	4,912	3,270	70,298
F. F. Soudy	3,111	2,308	2,965	1,133	2,752	2,888	7,884	2,437	3,065	1,971	3,712	2,403	1,878	38,660
Paper Mason	3,202	4,305	1,876	1,868	1,142	3,798	1,592	1,298	2,280	2,280	3,061	1,809	2,056	30,025
Accounts Receivable Collection	(1,859)	(2,653)	(1,522)	555	885	(1,480)	(1,191)	123	1,112	589	(1,382)	50	586	(6,819)
Total Operating Receipts	10,797	15,006	8,624	8,558	12,670	17,204	15,730	11,087	12,244	13,167	16,681	10,649	9,206	184,955
Operating Disbursements														
Fiber	(2,166)	(2,878)	(2,798)	(2,652)	(2,886)	(2,487)	(3,306)	(2,437)	(3,164)	(2,437)	(3,110)	(2,558)	(2,704)	(30,833)
Chemicals	(405)	(683)	(654)	(1,319)	(710)	(673)	(1,155)	(1,111)	(693)	(673)	(964)	(677)	(1,078)	(11,025)
Electricity	-	(1,375)	(734)	(577)	(628)	(11,819)	(597)	(423)	(423)	(12,388)	(641)	(577)	(577)	(31,314)
Recycle Material	(1,272)	(1,297)	(939)	(634)	(634)	(837)	(1,324)	(834)	(834)	(834)	(1,324)	(834)	(834)	(15,649)
Other Materials and Other Utilities	(2,560)	(1,711)	(1,766)	(1,512)	(2,238)	(1,548)	(1,554)	(1,674)	(1,821)	(1,636)	(1,767)	(1,767)	(1,849)	(22,893)
Property Taxes	-	(635)	(2,003)	(5)	-	-	-	(16)	(16)	-	-	-	-	(658)
Selected and Hourly Payroll- Gross	(1,737)	(1,281)	(2,003)	(1,427)	(1,888)	(1,284)	(1,483)	(1,533)	(1,864)	(1,285)	(1,506)	(1,347)	(1,587)	(20,308)
Pension Plan and Group Insurance	(317)	(2,332)	(3)	(2)	(528)	(2,332)	(2)	(2)	(3)	(528)	(2,333)	(2)	(300)	(6,137)
Freight	(2,402)	(1,580)	(1,690)	(1,253)	(2,160)	(919)	(2,510)	(1,059)	(2,514)	(911)	(1,755)	(1,086)	(1,289)	(21,377)
Maintenance Equipment	(327)	(354)	(377)	(423)	(383)	(447)	(292)	(298)	(344)	(363)	(284)	(231)	(305)	(4,635)
Major Maintenance	(325)	(135)	(177)	(168)	(163)	(180)	(218)	(126)	(189)	(180)	(176)	(126)	(126)	(2,254)
Capital Expenditures	-	-	-	(47)	-	(14)	(68)	-	-	-	(238)	(6)	-	(450)
Professional Fees	(50)	(70)	(113)	(70)	(70)	(71)	(74)	(138)	(71)	(85)	(74)	(74)	(70)	(1,189)
Leases	(2)	(12)	(85)	(37)	(7)	(7)	(81)	(13)	(32)	(7)	(86)	(32)	(427)	(4,427)
Other	(200)	(670)	(222)	(220)	(220)	(220)	(345)	(220)	(220)	(245)	(343)	(247)	(245)	(3,437)
Management Fee	(710)	(820)	0	-	(710)	-	(710)	-	(710)	-	(710)	-	(710)	(5,079)
Benchmark Impacts	-	(3,719)	(18,258)	(4,915)	(1,501)	(2,115)	(2,255)	(3,038)	(3,533)	(398)	3,118	1,554	1,804	(33,283)
Total Operating Disbursements	(13,094)	(19,949)	(28,530)	(15,823)	(18,561)	(26,177)	(19,255)	(13,727)	(15,549)	(22,685)	(12,138)	(8,649)	(10,515)	(217,822)
Net Operating Cash Flow	(2,297)	(4,946)	(21,307)	(8,064)	(1,871)	(7,886)	(526)	(2,640)	(4,300)	(9,479)	6,523	2,203	(1,286)	(32,867)
Non Operating Cash Flow and Restructuring														
Restructuring Professional Fees	(287)	(1,075)	(406)	(745)	(507)	(975)	(486)	(745)	(457)	(675)	(436)	(700)	(442)	(6,278)
Restructuring Bank Fees and Other Expenses	-	(7,100)	-	-	-	-	-	-	-	-	-	-	-	(7,100)
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	(28)	(307)	(49)	(745)	(507)	(975)	(1,015)	(745)	(457)	(675)	(1,038)	(708)	(482)	(2,435)
Total Non-Operating Cash Flow and Restructuring	(315)	(8,482)	(455)	(1,495)	(1,014)	(2,450)	(1,501)	(1,495)	(1,457)	(2,028)	(1,472)	(1,708)	(1,924)	(17,815)
Net Operating Receipts (Disbursements)	(2,222)	(13,082)	(21,713)	(9,559)	(2,875)	(10,336)	(2,026)	(2,785)	(4,157)	(10,506)	5,051	1,553	(1,550)	(70,522)
BEE, BUCK CASH BALANCE														
Net Receipts (Disbursements)	18,423	18,900	18,900	19,900	19,900	19,900	19,900	19,900	19,900	19,900	19,900	23,357	24,661	18,423
DIP Term Loan Borrowing	(2,322)	(13,092)	(21,713)	(9,629)	(2,378)	(8,668)	(2,026)	(2,785)	(4,757)	(10,506)	5,051	1,553	(1,550)	(70,522)
GE ABL Borrowing (Repayment)	-	63,732	21,713	6,029	2,378	8,668	2,026	2,785	4,757	8,612	-	-	-	122,000
ENDING BUCK CASH BALANCE	4,500	(50,540)	-	-	-	-	-	-	-	-	-	-	-	(46,540)
Unused DIP Commitment														
LIQUIDITY														
DIP TERM LOAN BALANCE														
DIP Loan Balance at Beg. of Week	-	-	63,732	86,445	92,274	94,692	103,520	105,546	104,531	113,088	122,000	122,000	122,000	122,000
DIP Term Loan Borrowing	-	63,732	21,713	6,029	2,378	8,668	2,026	2,785	4,757	8,612	-	-	-	122,000
DIP Loan Balance at End of Week	-	-	85,445	92,274	94,692	103,520	105,546	108,331	113,088	122,000	122,000	122,000	122,000	122,000

Appendix C – Statement and Request of the
Dune Group filed in the U.S. Bankruptcy Court

Objection Deadline: March 15, 2010 at 4:00 p.m. (Eastern Time)
Hearing Date and Time: March 22, 2010 at 11:00 a.m. (Eastern Time)

DEWEY & LEBOEUF LLP
1101 New York Avenue, NW
Washington, D.C. 20005-4213
Telephone: (202) 346-8000
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- and -

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Martin J. Bienenstock, *pro hac vice admission pending*
Timothy Q. Karcher, *pro hac vice admission pending*
Arielle Kane, *pro hac vice admission pending*

*Counsel to the Majority Second Lien Lenders
to White Birch Paper Company*

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF VIRGINIA
Richmond Division**

In re:

BEAR ISLAND PAPER COMPANY, L.L.C.

Debtor.

Chapter 11

Case No. 10-31202 (DOT)

**MAJORITY SECOND LIEN LENDERS' (A) STATEMENT IN CONNECTION
WITH DEBTOR'S REQUEST FOR DIP FINANCING AND (B) REQUEST
FOR ADDITIONAL ADEQUATE PROTECTION**

Dune Capital LP, Dune Capital International Ltd., and WTA Dune Limited (collectively, the "Majority Second Lien Lenders"), who hold in the aggregate 61.5% of the claims in connection with the \$100,000,000 Second Lien Term Loan Agreement (as defined below), respectfully submit this (a) statement in connection with the request of Bear Island Paper Company, LLC (the "Debtor") for approval of its DIP Loan (as defined below) and (b) request for additional adequate protection and respectfully represent as follows:

Preliminary Statement¹

This Court's Interim Order grants the First Lien Lenders adequate protection in the form of subordinated replacement liens, a super-priority administrative expense senior claim, and current payment of fees and expenses. The First Lien Lenders get full protection.

In stark contrast with the protections afforded the First Lien Lenders, the Second Lien Lenders get anemic "adequate" protection in the form of doubly-subordinated replacement liens on collateral of undetermined value and a junior administrative expense claim. The Second Lien Lenders receive none of the protections they require to monitor their collateral and protect their interests. At present, the Second Lien Lenders are without an agent and the borrowers refuse to pay any replacement agent's fees and expenses—virtually ensuring that no agent will serve.

At a minimum, the Second Lien Lenders require payment of their agent's fees (which will allow them to secure a replacement agent), payment of counsel fees, and greater access and information from the Debtor regarding the value of their collateral. Only then can the Second Lien Lenders come close to being adequately protected.

As described below, in the five (5) months since the Debtor's prepetition default on its loan obligations, the Debtor has refused to provide the Second Lien Lenders with even the most basic information regarding their collateral and the Debtor's restructuring efforts. Worse, in connection with the payment default, the Second Lien Lenders' agent (Credit Suisse) resigned as agent to the Second Lien Lenders, while continuing to serve as agent to the First Lien Lenders. Moreover, the Debtor's proposed DIP financing order specifically prevents the payment of fees and expenses to any agent or counsel for the Second Lien Lenders while permitting the Debtors to use the Second Lien Lenders' collateral.

¹ Capitalized terms used but not defined in the Preliminary Statement have the meanings set forth below.

The Majority Second Lien Lenders respectfully request the Court grant the Second Lien Lenders greater protection as requested herein. This will ensure the Second Lien Lenders will no longer be deprived of an agent and the means to adequately monitor and protect their interests in the Debtor's chapter 11 case and ancillary proceedings.

Background

1. On February 24, 2010 (the "Petition Date"), the Debtor commenced a case in this Court under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). On the same date, White Birch Paper Holding Company ("White Birch"), the Debtor's indirect parent, and ten of its Canadian subsidiaries (together with the Debtor, the "WB Group") obtained an Initial Order under the Companies Creditors' Arrangement Act ("CCAA") from the Quebec Superior Court, District of Montreal. The Majority Second Lien Lenders are seeking similar relief as that sought herein under the CCAA.² Six of the Canadian subsidiaries also commenced cases in this Court under chapter 15 of the Bankruptcy Code.

2. As described in the Debtor's *Motion for Entry of Interim and Final Orders (A) Authorizing Debtor to Obtain Secured Postpetition Financing on Super-Priority Priming Lien Basis, Granting Adequate Protection for Priming and Modifying the Automatic Stay, (B) Authorizing Debtor to Use Cash Collateral and Granting Adequate Protection for Use Thereof, (C) Authorizing Debtor to Repay Existing ABL Revolver Indebtedness Upon Interim Approval, and (D) Prescribing Form and Manner of Notice and Setting the Time for the Final Hearing* [Docket No. 26] (the "Motion"), the WB Group's main prepetition debt obligations consist of the First Lien Term Loan Agreement, the Second Lien Term Loan Agreement, the

² A copy of the Majority Second Lien Lenders' papers filed with the Quebec Superior Court on March 12, 2010 (the "Canadian Application") are appended hereto as Exhibit A. Tellingly, as explained in the Canadian Application, White Birch's Canadian counsel did not even know that Credit Suisse had resigned as agent to the Second Lien Lenders and asserted that service on Credit Suisse was sufficient to affect the Second Lien Lender's rights with respect to the CCAA proceedings.

Revolving ABL Agreement, which has been extinguished with the proceeds of the interim borrowings approved by the Court by order dated February 26, 2010 (the “Interim Order”) [Docket No. 66], and the Swap Agreements (each as defined in the Motion).

Prepetition Obligations

3. The following is a brief description of the WB Group’s prepetition agreements and the amounts owed thereunder:

- (i) First Lien Term Loan Agreement: The Debtor is a guarantor of the WB Group’s obligations to the lenders (the “First Lien Lenders”) under the First Lien Term Loan Agreement. The obligations to the First Lien Lenders are secured by first priority liens and security interests in substantially all of the WB Group’s assets (including assets of the Debtor), other than the Revolving ABL Collateral (as defined below) (the “Term Loan Collateral”). As of the Petition Date, approximately \$428 million in principal and \$9.8 million in interest remains outstanding under this agreement.
- (ii) Second Lien Term Loan Agreement: The Debtor is a guarantor of the WB Group’s obligations to the lenders (the “Second Lien Lenders”) under the Second Lien Term Loan Agreement. The obligations to the Second Lien Lenders are secured by second priority liens and security interests in the Term Loan Collateral. As of the Petition Date, approximately \$100 million in principal and \$4 million in interest remains outstanding under this agreement.
- (iii) Revolving ABL Agreement: The Debtor and other members of the WB Group are borrowers under the Revolving ABL Agreement. To secure the borrowers’ obligations under this agreement, the WB Group granted first priority liens and security interests on, among other things, their inventory, accounts receivable, and cash (the “Revolving ABL Collateral”). As of the Petition Date, approximately \$50 million remained outstanding under this agreement.
- (iv) Swap Agreements: White Birch Company, an affiliate of the Debtor, is a party to three interest rate swap agreements, which, as of the Petition Date, were out of the money by approximately \$51.5 million in aggregate. White Birch Company’s obligations under the Swap Agreements are collateralized by the Term Loan Collateral and the Swap Agreement lenders’ liens rank *pari passu* with those of the First Lien Lenders.

Resignation of Second Lien Agent

4. Prior to the Petition Date, on September 30, 2009, the borrowers under the Second Lien Term Loan Agreement failed to make an interest payment due thereunder (the “Payment Default”). That same date, Credit Suisse, Cayman Islands Branch, as U.S. collateral agent, and

Credit Suisse, Toronto Branch, as administrative agent and Canadian collateral agent (together, “Credit Suisse”), gave notice of their resignation from their roles under the Second Lien Term Loan Agreement effective October 30, 2009.³

5. Since Credit Suisse’s resignation nearly five (5) months ago, the Second Lien Lenders have been without an agent and have been deliberately prevented from obtaining any meaningful information regarding the WB Group’s restructuring plans or the present value of the collateral securing the WB Group’s obligations to the Second Lien Lenders. This is the same collateral the Debtor intends to use in its chapter 11 case.

6. The Second Lien Term Loan Agreement provides, among other things, that White Birch will pay the fees and expenses of the Second Lien Lenders’ agent and the fees and expenses of the Second Lien Lenders’ counsel in Canada and the United States.

7. Despite considerable effort expended by the Majority Second Lien Lenders to install Wells Fargo NA (“Wells Fargo”) as successor agent, the Debtor and its affiliates have frustrated efforts to secure a replacement agent. Indeed, prior to the Petition Date, the First Lien Lenders refused to permit White Birch to pay Wells Fargo’s fees and expenses, as required by the Second Lien Term Loan Agreement. That the Debtor has continued to acquiesce to the First Lien Lenders’ demand is evident in the Debtor’s Motion.

The DIP Financing

8. As described in the Motion, a subset of the First Lien Lenders (the “Postpetition Lenders”) agreed to backstop a \$140 million postpetition term loan facility (the “DIP Loan”) pursuant to that certain Senior Secured Super-Priority Debtor-in-Possession Term Loan Credit Agreement (the “Postpetition Credit Agreement”). Amounts borrowed under the DIP Loan have

³ Credit Suisse continues to serve as the First Lien Lenders’ agent and proposes to serve as the Postpetition Lenders’ agent.

super-priority status and are secured by priming liens and new liens on property (collectively, the “Postpetition Collateral”).

9. On February 25, 2010, this Court held a hearing in respect of the Motion, and on February 26, 2010, this Court entered the Interim Order. The Interim Order furnishes adequate protection to the First Lien Lenders in the form of replacement liens, subordinate to those of the Postpetition Lenders, in all Postpetition Collateral, an allowed super-priority administrative expense claim subordinate to that of the Postpetition Lenders (the “Adequate Protection Senior Claim”), and current, monthly payment of fees and expenses (including the fees and expenses of its agent, Credit Suisse), including prepetition fees and expenses (the “First Lien Fees and Expenses”).

10. In contrast, the Interim Order purports to furnish adequate protection to the Second Lien Lenders in the form of doubly-subordinated replacement liens in the Postpetition Collateral and an allowed super-priority administrative expense claim subordinate to that of the First Lien Lenders (the “Adequate Protection Junior Claim”). Notably, although the First Lien Lenders receive adequate protection in the form of current payment of the First Lien Fees and Expenses, no such protection is afforded to the Second Lien Lenders.

**The Second Lien Lenders are Entitled
to Additional Adequate Protection**

11. The Majority Second Lien Lenders do not oppose the Debtor’s request to use cash collateral or obtain the DIP Loan. Moreover, the Majority Second Lien Lenders do not object to this Court’s grant of adequate protection to the First Lien Lenders.⁴ The Majority Second Lien Lenders simply demand additional adequate protection for their own interests.

⁴ The relief sought in this statement and request is without prejudice to the relief requested or that may be obtained in connection with the Canadian Application.

12. This demand is expressly permitted by Section 6.3(b)(2) of the Intercreditor Agreement between the First Lien Lenders and the Second Lien Lenders (the “Intercreditor Agreement”). In its Motion, the Debtor states the Second Lien Lenders have “agreed not to oppose—or request adequate protection” provided certain conditions are met (Motion ¶ 15). The Debtor cites Section 6.1 of the Intercreditor Agreement in support of its assertion.⁵ Section 6.1 is made expressly subject to Section 6.3 of the Intercreditor Agreement,⁶ which provides, in relevant part, “nothing herein shall limit the rights of the [Second Lien Lenders] from seeking adequate protection with respect to their rights in the Collateral in any Insolvency or Liquidation Proceeding....” Indeed, if Section 6.1 prohibited the Second Lien Lenders from requesting adequate protection, as the Debtor suggests, the above-referenced portion of Section 6.3 would be rendered meaningless. *See, e.g., Volvo Const. Equip. N. Am., Inc. v. CLM Equip. Co., Inc.*, 386 F.3d 581, 614 (4th Cir. 2004) (“in construing language in a contract, ‘an interpretation that gives a reasonable meaning to all parts of the contract will be preferred to one that leaves portions of the contract meaningless’”); *Goodman v. Resolution Trust Corp.*, 7 F.3d 1123, 1127

⁵ The applicable portion of Section 6.1 of the Intercreditor Agreement provides as follows:

If the First Lien Collateral Agent shall desire to permit the use of “Cash Collateral” ... or to permit [the Debtor] to obtain financing ... under Section 364 of the Bankruptcy Code ... then the Second Lien Collateral Agent ... agrees (i) that it will raise no objection to such Cash Collateral use or DIP Financing ... and (ii) ... the Second Lien Collateral Agent will subordinate its Liens in the Collateral to the Liens securing such DIP Financing ... and will not request adequate protection or any other relief in connection therewith ... (except ... to the extent permitted by Section 6.3).

⁶ The applicable portion of Section 6.3 of the Intercreditor Agreement provides as follows:

Except as otherwise expressly set forth in Section 6.1 or in connection with the exercise of remedies with respect to the Collateral, nothing herein shall limit the rights of the Second Lien Collateral Agent or the Second Lien Claimholders from seeking adequate protection with respect to their rights in the Collateral in any Insolvency or Liquidation Proceeding (including adequate protection in the form of a cash payment, periodic cash payments or otherwise).

(4th Cir. 1993) (courts must “give meaning and effect to every part of the contract, rather than leave a portion of the contract meaningless or reduced to mere surplusage”).

**Payment of the Second Lien Lenders’ Fees
and Expenses is Necessary and Appropriate**

13. At a minimum, any Final Order entered by this Court in respect of the Debtor’s postpetition borrowing (the “Final Order”) should provide for current payment of the Second Lien Lenders’ fees and expenses, including the fees and expenses of any agent appointed for such lenders (collectively, the “Second Lien Fees and Expenses”).

14. The contractual obligations to pay fees and expenses in accordance with the Second Lien Term Loan Agreement remain unchanged notwithstanding the fact that the obligors are now in bankruptcy. Moreover, the Debtor acknowledges that the Second Lien Lenders are secured by collateral the Debtor seeks to use in its reorganization efforts. Even if the Second Lien Lenders are only partially secured by such collateral, the waterfall in Section 2.15(g) of the Second Lien Term Loan Agreement provides that any recovery on the collateral would *first* go to pay the agents’ fees and expenses (including the costs of counsel).⁷ Accordingly, payment of such fees as adequate protection is appropriate here, even if the Second Lien Lenders are only partially secured.

15. In addition, current payment of the Second Lien Fees and Expenses is necessary in order for the Second Lien Lenders to preserve their rights under Bankruptcy Code section 507(b), which provides:

⁷ Section 2.15(g) of the Second Lien Term Loan Agreement provides as follows:

Subject to the terms of the ... Intercreditor Agreement, after acceleration or maturity of the Obligations, all payments and proceeds of Collateral shall be applied to amounts then due and payable in the following order: (i) to the Agents’ fees and expenses reimbursable hereunder on a ratable basis; (ii) to interest on the Loans, ratably in proportion to the interest accrued as to each Loan; [and] (iii) to principal owing on the Loans.

If the trustee ... provides adequate protection of the interest of a holder of a claim secured by a lien on property of the debtor and if, notwithstanding such protection, such creditor has a claim allowable under subsection (a)(2) of this section arising from the stay of such action against such property ... then such creditor's claim under such subsection shall have priority over every other claim allowable under such subsection.

11 U.S.C. § 507(b). “Section 507(b) of the Bankruptcy Code ‘provides that when adequate protection has been given to a secured creditor and later proves to be inadequate, the creditor becomes entitled to a superpriority administrative expense claim to the extent that the proffered adequate protection was insufficient.’” *In re J.F.K. Acquisitions Group*, 166 B.R. 207, 212 (Bankr. E.D.N.Y. 1994) (citations omitted); *see also In re Mutschler*, 45 B.R. 494, 496 (Bankr. D. N.D. 1984) (“Where adequate protection becomes inadequate or otherwise fails and the use nonetheless continues, Section 507(b) comes into play by covering the creditor’s unprotected interest by according it priority administrative expense status.”).

16. As described above, the Debtor and the WB Group have refused to provide the Majority Second Lien Lenders with information regarding the value of the collateral securing their claims. Without this information, the Majority Second Lien Lenders cannot, among other things, determine whether their collateral has diminished in value since the Petition Date.

17. The Second Lien Lenders and/or their agent must be permitted to conduct their own investigation of the collateral’s value. Neither this Court nor the Second Lien Lenders should be bound by the Debtor’s mere estimate of collateral value, which is insufficient to satisfy the Debtor’s burden of proving adequate protection under Bankruptcy Code section 363(p)(1).⁸ *See, e.g., In re First S. Sav. Assoc.*, 820 F.2d 700, 713 (5th Cir. 1987) (unsupported assumptions insufficient to provide adequate protection); *In re Martin*, 761 F.2d 472, 476-77 (8th Cir. 1985)

⁸ Bankruptcy Code section 363(p)(1) provides that “the trustee has the burden of proof on the issue of adequate protection.” 11 U.S.C. § 363(p)(1). *See, e.g., In re The Holladay House, Inc.*, 387 B.R. 689, 691 (Bankr. E.D. Va. 2008) (“the debtor in possession has the burden of proof on the issue of adequate protection”).

(bankruptcy court failed to determine properly the value of the secured creditor's lien where debtors presented no actual documentary evidence to support its stated value); *In re McCutchen*, 115 B.R. 126, 133 (Bankr. W.D. Tenn. 1990) (“the Court cannot find from the proof offered, that the debtor has offered adequate protection ... The only proof is the debtor's estimate”); *In re Wabash Valley Power Ass'n*, 114 B.R. 613, 620 (S.D. Ind. 1990) (“‘suggesting’ a lien is adequate is not sufficient to meet the burden of proving” adequate protection).

**The Second Lien Lenders May be Entitled to Adequate
Protection in the Form of Periodic Payments**

18. Absent information regarding the value of the collateral, this Court cannot possibly determine whether the Second Lien Lenders' interests are adequately protected. Accordingly, the Majority Second Lien Lenders request treatment as if they are oversecured to preserve their super-priority administrative expense claim to the extent that the proffered adequate protection is insufficient.

Conclusion

At a minimum, payment of the Second Lien Fees and Expenses is necessary to provide the Second Lien Lenders with adequate protection. Further, because the Second Lien Lenders have not been provided sufficient information to make a determination with respect to the value of the collateral, the Debtor must provide such information. Moreover, to the extent the Postpetition Credit Agreement prevents payments in accordance with this statement and request, the Postpetition Credit Agreement must be modified.

Dated: March 15, 2010
Washington, D.C.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on March 15, 2010, a copy of the foregoing Majority Second Lien Lenders' (a) Statement in Connection with Debtor's Request for DIP Financing and (b) Request for Additional Adequate Protection, together with Exhibit A, was served by U.S. Mail, First Class, postage prepaid, or by electronic means through the Court's ECF system or email on the following, constituting all necessary parties:

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Appendix D – Cash flow projections of WB
Group for the 13 weeks ending May 14, 2010

White Birch Paper

13-Week DIP Cash Flow Forecast

Weeks Ending February 19 through May 14, 2010

23/02/2010

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CONSOLIDATED- DIP Basis

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White Birch Paper
Rolling Weekly Forecast
Weeks Ending February 19, 2010-May 14, 2010

In \$000's

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Wk Ending 2/19	Wk Ending 2/26	Wk Ending 3/5	Wk Ending 3/12	Wk Ending 3/19	Wk Ending 3/26	Wk Ending 4/2	Wk Ending 4/9	Wk Ending 4/16	Wk Ending 4/23	Wk Ending 4/30	Wk Ending 5/7	Wk Ending 5/14
	13 Week Total												
Operating Receipts													
Bear Island	\$ 2,847	\$ 4,773	\$ 1,325	\$ 1,525	\$ 2,525	\$ 2,975	\$ 2,919	\$ 1,675	\$ 1,475	\$ 2,575	\$ 4,219	\$ 1,675	\$ 1,475
Stadacona	3,543	6,274	3,849	4,737	5,365	8,931	4,189	5,274	5,274	4,912	4,912	4,912	3,210
F. F. Soucy	3,111	2,338	2,995	1,133	2,752	2,839	7,894	2,437	3,085	1,971	3,712	2,403	1,878
Papier Masson	3,202	4,305	1,976	1,566	1,142	3,799	1,919	1,592	1,298	2,290	3,051	1,809	2,056
Accounts Receivable Contraction	(1,905)	(2,653)	(1,522)	558	886	(1,260)	(1,191)	123	1,112	659	(1,362)	50	586
Total Operating Receipts	10,797	15,036	8,624	9,539	12,670	17,284	15,730	11,087	12,244	13,187	18,681	10,849	9,206
Operating Disbursements													
Fiber	(3,186)	(2,979)	(2,798)	(2,652)	(2,996)	(2,487)	(3,306)	(2,437)	(3,184)	(2,437)	(3,110)	(2,558)	(2,704)
Chemicals	(405)	(883)	(1,319)	(654)	(710)	(673)	(1,185)	(1,111)	(693)	(673)	(964)	(677)	(1,078)
Electricity	-	(1,375)	(734)	(934)	(626)	(11,879)	(687)	(577)	(626)	(12,399)	(681)	(577)	(577)
Recycle Material	(1,272)	(1,297)	(959)	(934)	(934)	(934)	(1,324)	(934)	(934)	(934)	(934)	(934)	(934)
Other Materials and Other Utilities	(2,150)	(1,717)	(1,766)	(1,512)	(2,238)	(1,548)	(1,554)	(1,674)	(1,621)	(1,636)	(1,767)	(1,767)	(1,649)
Property Taxes	-	(635)	(5)	(5)	-	-	-	-	(16)	-	-	-	(656)
Salaries and Hourly Payroll- Gross	(1,737)	(1,281)	(2,006)	(1,427)	(1,686)	(1,264)	(1,490)	(1,533)	(1,884)	(1,285)	(1,500)	(1,347)	(1,867)
Pension Plan and Group Insurance	(517)	(2,332)	(3)	(2)	(528)	(2,332)	(3)	(2)	(3)	(526)	(2,333)	(2)	(550)
Freight	(2,102)	(1,580)	(1,690)	(1,253)	(2,160)	(919)	(2,510)	(1,026)	(2,514)	(911)	(1,755)	(1,686)	(1,269)
Maintenance Equipment	(327)	(354)	(377)	(425)	(393)	(474)	(390)	(299)	(343)	(363)	(294)	(291)	(305)
Major Maintenance	(325)	(126)	(177)	(166)	(163)	(180)	(216)	(126)	(190)	(166)	(176)	(126)	(126)
Capital Expenditures	-	-	(47)	(47)	(14)	(14)	(86)	-	(235)	(68)	-	-	(450)
Professional Fees	(50)	(70)	(193)	(70)	(70)	(71)	(74)	(138)	(71)	(95)	(74)	(124)	(70)
Leases	(2)	(12)	(85)	(37)	(7)	(7)	(91)	(13)	(32)	(7)	(7)	(96)	(32)
Other	(220)	(470)	(222)	(220)	(220)	(220)	(345)	(220)	(220)	(245)	(343)	(247)	(245)
Management Fee	(710)	(820)	0	0	(710)	-	(710)	-	(710)	-	(710)	-	(710)
Bankruptcy Impacts	-	(3,715)	(18,266)	(4,978)	(1,101)	(2,173)	(2,285)	(3,038)	(3,503)	(989)	3,116	1,854	1,808
Total Operating Disbursements	(13,004)	(19,646)	(29,930)	(15,623)	(14,541)	(25,177)	(16,255)	(13,127)	(16,544)	(22,666)	(12,158)	(8,646)	(10,305)
Net Operating Cash Flow	(2,207)	(4,610)	(21,307)	(6,084)	(1,871)	(7,893)	(526)	(2,040)	(4,300)	(9,479)	6,523	2,203	(1,098)
Non Operating Cash Flow and Restructuring													
Restructuring Professional Fees	(287)	(1,075)	(406)	(745)	(507)	(975)	(486)	(745)	(457)	(975)	(436)	(700)	(482)
Restructuring Bank Fees and Other Expenses	-	(7,100)	-	-	-	-	-	-	-	-	-	-	-
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	(28)	(307)	-	-	-	-	(1,015)	-	-	(53)	(1,036)	-	-
Total Non-Operating Cash Flow and Restructuring	(315)	(8,482)	(406)	(745)	(507)	(975)	(1,501)	(745)	(457)	(1,028)	(1,472)	(700)	(482)
Net Operating Receipts (Disbursements)	\$ (2,522)	\$ (13,092)	\$ (21,713)	\$ (6,829)	\$ (2,378)	\$ (8,868)	\$ (2,026)	\$ (2,785)	\$ (4,757)	\$ (10,506)	\$ 5,051	\$ 1,503	\$ (1,580)
BEG. BOOK CASH BALANCE	\$ 18,423	\$ 19,900	\$ 19,900	\$ 19,900	\$ 19,900	\$ 19,900	\$ 19,900	\$ 19,900	\$ 19,900	\$ 19,900	\$ 18,306	\$ 23,357	\$ 24,861
Net Receipts (Disbursements)	(2,522)	(13,092)	(21,713)	(6,829)	(2,378)	(8,868)	(2,026)	(2,785)	(4,757)	(10,506)	5,051	1,503	(1,580)
DIP Term Loan Borrowing	-	63,732	21,713	6,829	2,378	8,868	2,026	2,785	4,757	8,912	-	-	-
GE ABL Borrowing (Repayment)	4,000	(50,640)	-	-	-	-	-	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	19,900	19,900	19,900	19,900	19,900	19,900	19,900	19,900	19,900	18,306	23,357	24,861	23,280
Unused DIP Commitment	-	58,268	36,555	29,726	27,348	18,480	16,454	13,669	8,912	-	-	-	-
LIQUIDITY	\$ 19,900	\$ 78,168	\$ 56,455	\$ 49,626	\$ 47,249	\$ 38,380	\$ 36,354	\$ 33,569	\$ 28,812	\$ 18,306	\$ 23,357	\$ 24,861	\$ 23,280
DIP TERM LOAN BALANCE													
DIP Loan Balance at Beg. of Week	\$ -	\$ -	\$ 63,732	\$ 85,445	\$ 92,274	\$ 94,652	\$ 103,520	\$ 105,546	\$ 108,331	\$ 113,088	\$ 122,000	\$ 122,000	\$ -
DIP Term Loan Borrowing	-	63,732	21,713	6,829	2,378	8,868	2,026	2,785	4,757	8,912	-	-	-
DIP Loan Balance at End of Week	\$ -	\$ 63,732	\$ 85,445	\$ 92,274	\$ 94,652	\$ 103,520	\$ 105,546	\$ 108,331	\$ 113,088	\$ 122,000	\$ 122,000	\$ 122,000	\$ 122,000

White Birch Paper

13 Weekly Cash Flow Forecast

Weeks Ending February 19, 2010-May 14, 2010

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Key Assumptions:

- 1 - **Bankruptcy Filing Scenario:**
 - February 24, 2010 Petition Date
 - Accounts receivable contraction estimate assumes delayed collection of approximately 15% of amounts due
 - Trade payables payments contraction and cash deposits approximating 15 days of payables occurs in the weeks ending 2/26 and 3/5, to reflect COD payments. Additional contraction to terms approximating 7 days beginning in the week ending 3/12 is estimated to be cash neutral and offset by stayed payables at the filing date
 - Freight possessory liens - \$5 million CAD in Canada and \$0.5 million in the US is assumed to be paid in full in the week of filing and have been contracted to COD terms
 - Prior service cost component of pension contributions in Canada of CAD \$1.5 million beginning with the February payments are suspended until emergence - savings of approximately \$1.5 million CAD per month
 - CAD Utility Deposits - Two weeks of utility deposits (appx. \$5 million CAD) to secure post-petition service are made in the week ending 3/12
 - US Utility Deposits - a \$1.2 million deposit is made in the week ending 3/12 to secure post petition service, with weekly payments thereafter
 - Letters of Credit and Cash Deposits - Current letters of credit outstanding on the filing date of \$11.1 million have been cash collateralized in the repayment of loan balances to the ABL lender. An additional \$13.7 million of cash collateralized letters of credit and cash deposits are assumed to be issued beginning in the weeks ending 3/26 through 4/16 for trade vendors
 - Projected cash balances should be viewed on a consolidated basis only.
 - Negative cash balances at certain of the locations could be covered by available cash at other locations through the Company's cash management process.
- 2 - **Includes the Following DIP Financing Assumptions:**
 - Pre-petition ABL facility assumed to be replaced with a super priority delayed draw term loan facility of \$140 million (DIP Facility) with terms, as follows:
 - Interest at L + 1000 bps with 2% floor
 - DIP facility priced with a 250bps arrangement fee, a 250bps commitment fee and \$100k annual administrative fee
 - Interest on borrowings paid monthly as due
 - Borrowings subject to weekly calculations based on budgeted net disbursements, limited by the lesser of unused DIP commitment supported by the borrowing base or the DIP commitment less outstandings and reserves
 - DIP loans paid or repaid may not be reborrowed. Forecast does not repay loans in weeks when cash collections exceed budgeted net disbursements
 - Aggregate reserves approximate \$18 million for the administrative charge, a carve-out for US professional fees and a Canadian Priority Reserve
 - Assumes that borrowings will be made in any week in which there is negative cash flow, subject to availability of unused DIP Liquidity
 - Liquidity at any given week includes undrawn DIP commitment that is not yet available for draw based on budgeted net disbursements
- 3 - **Assumes spot rate of C\$1.03 to US \$1 throughout the forecast period**
- 4 - **Assumes full production at all mills based on latest production schedule**
- 5 - **DIP forecast preliminary and subject to approval of the lenders**

Appendix E – Comparison of actual and
projected results for the 2 weeks ended
March 5, 2010

White Birch Paper

Cash Flow Forecast - Variance Report Actual Compared With DIP Budget

For the Week Ended March 5, 2010

11/03/2010

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White Birch Paper
Cash Flow Forecast Variance Report to DIP Budget
Week Ended March 5, 2010

Consolidated
In \$000's

	Current Week Variance to Approved DIP Budget			Cumulative Variance to Approved DIP Budget			Note Reference
	Actual Wk Ended 3/5	DIP Budget Wk Ended 3/5	B (W) than DIP Budget 3/5	Actual 2/26 Through 3/5	DIP Budget 2/26 Through 3/5	B (W) than DIP Budget 3/5	
Operating Receipts							
Bear Island	\$ 602	\$ 1,325	\$ (723)	\$ 5,150	\$ 6,098	\$ (948)	1
Stadacona	4,008	3,849	158	14,822	10,123	4,699	2
F.F. Soucy	2,482	2,995	(513)	6,730	5,332	1,398	3
Papier Masson	2,239	1,976	262	5,970	6,281	(312)	4
Accounts Receivable Contraction	-	(1,522)	1,522	-	(4,175)	4,175	5
Total Operating Receipts	9,330	8,624	707	32,671	23,659	9,012	
Operating Disbursements							
Fiber	(719)	(2,798)	2,078	(719)	(5,777)	5,057	6
Chemicals	(449)	(654)	205	(671)	(1,537)	865	6
Electricity	-	(734)	734	-	(2,109)	2,109	7
Recycle Material	(1,121)	(959)	(163)	(1,175)	(2,256)	1,081	6
Other Materials and Other Utilities	(1,350)	(1,766)	416	(2,120)	(3,483)	1,363	6
Property Taxes	(115)	-	(115)	(750)	(635)	(115)	8
Salaries and Hourly Payroll - Gross	(1,642)	(2,006)	364	(3,139)	(3,287)	149	9
Pension Plan and Group Insurance	(664)	(3)	(661)	(1,363)	(2,335)	971	10
Freight	(1,647)	(1,690)	43	(2,342)	(3,271)	928	11
Maintenance Equipment	(61)	(377)	317	(68)	(731)	663	12
Major Maintenance	-	(177)	177	-	(303)	303	12
Capital Expenditures	-	-	-	-	-	-	-
Professional Fees	-	(193)	193	(6)	(263)	257	12
Leases	-	(85)	85	-	(97)	97	12
Other	4	(222)	226	(208)	(692)	484	12
Management Fee	-	-	-	(820)	(820)	(0)	
Bankruptcy Impacts	(10,597)	(18,266)	7,669	(6,894)	(21,981)	15,087	13
Total Operating Disbursements	(18,363)	(29,931)	11,568	(20,277)	(49,577)	29,299	
Net Operating Cash Flow	(9,033)	(21,307)	12,274	12,394	(25,917)	38,311	
Non Operating Cash Flow and Restructuring							
Restructuring Professional Fees	(608)	(406)	(402)	(1,239)	(2,491)	1,252	14
Restructuring Bank Fees and Other Expenses	(7,100)	-	(7,100)	(7,100)	(7,100)	-	
Intercompany Transfers	-	-	-	-	-	-	
Interest Payments	(330)	-	(330)	(330)	(307)	(23)	
Total Non-Operating Cash Flow and Restructuring	(8,238)	(406)	(7,832)	(8,669)	(9,898)	1,229	
Net Operating Receipts (Disbursements)	\$ (17,271)	\$ (21,713)	\$ 4,442	\$ 3,725	\$ (35,815)	\$ 39,540	

White Birch Paper Company
Explanations of Significant Weekly Variances
05/03/2010
In \$000 s

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Current Week Actual vs. Approved DIP Budget

<u>Cash Collections</u>	<u>Note Reference</u>	<u>Weekly Variance</u>	<u>EXPLANATION OF VARIANCE</u>
Bear Island	A	\$ (723)	Unfavorable variance is due to \$0.3M of delayed receipts from Mayar and \$0.4M of delayed receipts from other customers, all of which are still expected to be received in March.
Stadacona	B	158	Favorable variance is the net impact of both favorable and unfavorable variances from several customers.
F. F. Soucy	C	(513)	Unfavorable variance is due to net impact of: \$1.0M related to a delay in GST reimbursement (which is still expected to be received in March), partly offset by \$0.5M of earlier than forecasted receipts from multiple customers.
Papier Masson	D	262	Favorable variance is primarily due to receipt of \$0.4M from Media News Group, which was forecasted to be received during the WE 2/26, partly offset by \$0.2M of a negative variance related to the Buffalo News, which was received in the prior week.
Other	E	1,522	Favorable variance relates to accounts receivable contraction that was forecast at the consolidated level and is encompassed in plant variances above, and/or has not yet materialized.
Total Variance - Cash Collections		\$ 707	
<u>Disbursements</u>			
Fiber, Chemicals, Recycle Material and Other Materials and Utilities	F	\$ 2,537	Spending was significantly curtailed in the weeks ended 2/26 and 3/5 due to the bankruptcy filing. This favorable variance is partly offset by deposits and other post-petition outflows classified within "Bankruptcy Impacts".
Electricity	G	734	Favorable variance is due to delaying payment for weekly utilization at Bear Island by one week, pending final settlement with the utility provider.
Property Taxes	H	(115)	Unfavorable variance is due to property tax payments at F.F. Soucy.
Salaried and Hourly Payroll - Gross	I	364	Favorable variance is primarily due \$0.3M of a favorable variance at Stadacona, caused by making earlier than forecasted payments for payroll benefits during the WE 2/26, instead of in the current week.
Pension Plan and Group Insurance	J	(661)	Unfavorable variance is due to a \$0.4M variance at Stadacona, due to an unforecasted payment for group insurance, and a \$0.2M variance at F.F. Soucy, due to making an earlier than forecasted pension payment.
Freight	K	43	Unfavorable variance is due to making required possessory lien payments and deposits, which were forecasted within "Bankruptcy Impacts".
Maintenance Equipment, Major Maintenance, Non-Restructuring Professional Fees, Leases and Other Disbursements	L	998	Spending was curtailed due to the bankruptcy filing. It is anticipated that catch-up spending will occur in future weeks.
Bankruptcy Impacts	M	7,669	Favorable variance is primarily due to lower than forecasted COD/Accounts payable contraction and possessory lien payments.
Total Variance - Operating Disbursements		\$ 11,568	
<u>Other Non-operating cash flow and restructuring</u>			
Restructuring Professional Fees	N	\$ (402)	Unfavorable variance is due to the delayed closing of the DIP Credit Agreement (\$0.6M), partly offset by \$0.2M of delayed payments to other professionals, which will be paid in future weeks.
Restructuring Bank Fees and Other Expenses	O	(7,100)	Unfavorable variance is due to a delay in closing the DIP Credit Agreement. Fees were paid on March 1 at closing instead of during the WE 2/26.
Interest Payments	P	(330)	Unfavorable variance is primarily due to the delayed closing of the DIP Credit Agreement. Interest and other bank charges were paid on March 1 at closing.
Total Non-Operating Cash Flow and Restructuring		\$ (7,832)	
Total Net Variances in Operating Receipts and (Disbursements)		\$ 4,442	

White Birch Paper Company
 Explanations of Significant Cumulative Variances
 05/03/2010
 In \$000's

Cumulative Actual vs. Approved DIP Budget

<u>Cumulative Cash Collections</u>	<u>Note Reference</u>	<u>Cumulative Variance</u>	<u>EXPLANATION OF CUMULATIVE VARIANCE</u>
Bear Island	1	\$ (948)	Unfavorable variance is primarily related to current week variances (see note A).
Stadscona	2	4,699	Favorable variance is primarily due to earlier than forecasted collections in the prior week (WE 2/26) of \$4.5M, which were forecasted to be received in April.
F. F. Sourcy	3	1,398	Favorable variance is primarily due to \$1.4M of receipts from El Dia, \$1.0M of earlier than forecasted collections from other customers, which were both partly offset by \$1.0M of an unfavorable variance related to a delay in GST reimbursement, which is still expected to be collected in March.
Papier Masson	4	(312)	Unfavorable variance is primarily due to \$0.4M of delayed receipts from Gammett that are expected to be collected in March.
Other	5	4,175	Favorable variance relates to accounts receivable contraction that was forecast at the consolidated level and is encompassed in plant variances above and/or has not yet materialized.
Total Variance - Cash Collections		\$ 9,012	
<u>Cumulative Disbursements</u>			
Fiber, Chemicals, Electricity, Recycle Material and Other Materials and Utilities	6	\$ 8,367	Spending was significantly curtailed in the weeks ended 2/26 and 3/5 due to the bankruptcy filing. This favorable variance is partly offset by deposits and other post-petition outflows classified within "Bankruptcy Impacts".
Electricity	7	2,109	Favorable variance is primarily due to delaying payments at Bear Island, pending settlement with the utility provider. Payment of \$2.0M was made during the WE 3/12.
Property Taxes	8	(115)	Unfavorable variance is due to property tax payments at F.F. Sourcy.
Salaried and Hourly Payroll - Gross	9	149	Favorable variance is primarily due to variances in actual payroll.
Pension Plan and Group Insurance	10	971	Favorable variance is primarily due to a \$1.7M "deferral related to the prior service cost component of the pension contribution (this benefit was forecasted in the DIP Budget as part of the "Bankruptcy Impacts" adjustments), partly offset by a \$0.4M unfavorable variance at Stadscona, due to an unforecasted payment of group insurance, and a \$0.2M unfavorable variance at F.F. Sourcy, due to making an earlier than forecasted pension payment.
Freight	11	928	Favorable variance is primarily due to not paying outstanding freight vendors for pre-petition amounts outstanding at the filing date. Provision has been made to make required possessory lien payments in the bankruptcy impact forecast and payments are anticipated to be made in future weeks.
Maintenance Equipment, Major Maintenance, Non-Restructuring Professional Fees, Leases and Other Disbursements	12	1,804	Spending was curtailed due to the bankruptcy filing. It is anticipated that catch-up spending will occur in future weeks.
Bankruptcy Impacts	13	15,087	Favorable variance is primarily due to the cancellation of outstanding checks that were not forecasted in the DIP budget (\$3,703), favorable variances in forecasted COO/Accounts payable contract (\$10,075) and possessory lien payments (\$2,764). These favorable variances are offset by an unfavorable variance related to past service cost for pension (\$1,456) that has been accounted for as a favorable variance in pensions above.
Variance - Cumulative Operating Disbursements		\$ 29,300	
<u>Cumulative Other Non-operating cash flow and restructuring</u>			
Restructuring Professional Fees	14	\$ 1,252	Favorable variance is due to a delay in payment of professional fees, including \$0.9M related to the financing, that is expected to be made in late March.
Restructuring Bank Fees and Other Expenses		-	
Interest Payments		(23)	
Cumulative Non-Operating Cash Flow and Restructuring		\$ 1,229	
Cumulative Net Variances in Operating Receipts and (Disbursements)		\$ 39,540	

Appendix F – Cash flow projections of WB
Group for the 13 weeks ending June 4, 2010

White Birch Paper

13-Week Cash Flow Forecast

Weeks Ending March 12 through June 4, 2010

11/03/2010

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White Birch Paper
Rolling Weekly Forecast
Weeks Ended March 12, 2010-June 4, 2010

In \$000's

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Wk Ending 3/12	Wk Ending 3/19	Wk Ending 3/26	Wk Ending 4/2	Wk Ending 4/9	Wk Ending 4/16	Wk Ending 4/23	Wk Ending 4/30	Wk Ending 5/7	Wk Ending 5/14	Wk Ending 5/21	Wk Ending 5/28	Wk Ending 6/4
13 Week Total													
Operating Receipts													
Bear Island	2,710	\$ 2,450	\$ 2,165	\$ 3,219	\$ 1,750	\$ 1,475	\$ 2,575	\$ 4,219	\$ 1,675	\$ 1,475	\$ 2,075	\$ 3,319	\$ 1,975
Stadacona	3,847	10,420	5,429	4,487	4,139	6,158	9,042	4,376	3,907	3,907	3,991	11,141	4,480
F. F. Soucy	1,379	2,795	1,755	9,845	2,155	2,085	2,899	3,787	2,403	3,078	2,295	2,672	2,943
Papier Masson	2,357	1,204	3,648	2,322	1,558	2,082	1,769	3,824	1,811	2,774	2,011	3,681	2,588
Accounts Receivable Contracton	(1,544)	(1,582)	(2,688)	(1,578)	89	1,231	1,112	(1,638)	(73)	325	1,575	(1,582)	(114)
Total Operating Receipts	8,749	8,962	15,289	19,237	10,039	11,012	14,514	19,234	10,193	11,560	11,947	19,231	11,883
													171,850
Operating Disbursements													
Fiber	(2,784)	(2,647)	(2,566)	(3,306)	(2,558)	(3,306)	(2,558)	(3,281)	(2,608)	(2,753)	(3,209)	(2,608)	(3,209)
Chemicals	(296)	(587)	(643)	(793)	(981)	(913)	(1,055)	(715)	(913)	(684)	(934)	(1,106)	(882)
Electricity	(4,378)	(3,279)	(2,970)	(3,068)	(3,307)	(3,020)	(3,132)	(3,124)	(3,132)	(4,022)	(3,003)	(3,079)	(3,233)
Recycle Material	(562)	(985)	(1,057)	(1,071)	(1,007)	(1,035)	(1,000)	(1,350)	(1,000)	(1,035)	(1,000)	(1,000)	(1,000)
Other Materials and Other Utilities	(943)	(1,215)	(862)	(1,795)	(1,932)	(1,772)	(1,511)	(1,809)	(1,800)	(1,681)	(1,679)	(1,711)	(1,741)
Property Taxes	(10)	-	-	-	-	(16)	-	-	-	(5)	-	-	(61)
Salaries and Hourly Payroll- Gross	(1,441)	(1,939)	(1,952)	(1,633)	(2,216)	(1,859)	(1,932)	(1,633)	(2,214)	(1,890)	(1,932)	(1,653)	(2,209)
Pension Plan and Group Insurance	(2)	(142)	(332)	(3)	(885)	(3)	(140)	(333)	(885)	(142)	(2)	(333)	(885)
Freight	(1,921)	(1,603)	(1,620)	(1,590)	(1,830)	(1,825)	(1,616)	(1,739)	(1,617)	(1,617)	(1,513)	(1,500)	(1,503)
Maintenance Equipment	(90)	(183)	(254)	(367)	(390)	(360)	(525)	(310)	(304)	(318)	(307)	(487)	(295)
Major Maintenance	(292)	(29)	(107)	(177)	(126)	(248)	(190)	(176)	(376)	(376)	(416)	(466)	(166)
Capital Expenditures	-	-	(34)	(126)	(25)	-	-	(235)	(77)	-	-	-	-
Professional Fees	(50)	(50)	(188)	(51)	(89)	(70)	(70)	(139)	(75)	(111)	(70)	(123)	(74)
Leases	(38)	(18)	(8)	(91)	(32)	(7)	(7)	(96)	(32)	(32)	(7)	(6)	(86)
Other	(152)	(152)	(181)	(343)	(220)	(245)	(245)	(343)	(245)	(245)	(245)	(245)	(220)
Management Fee	-	(710)	-	(710)	-	(710)	-	(710)	-	(710)	-	(710)	-
Bankruptcy Impacts	(5,370)	(7,370)	(8,517)	(8,517)	(8,517)	(3,234)	-	-	-	-	-	-	-
Total Operating Disbursements	(18,327)	(20,888)	(21,271)	(23,641)	(24,089)	(18,422)	(13,981)	(15,905)	(15,342)	(15,622)	(14,317)	(15,377)	(15,566)
													(232,750)
Net Operating Cash Flow	(9,578)	(11,926)	(5,982)	(4,405)	(14,050)	(7,410)	533	3,329	(5,150)	(4,062)	(2,370)	3,855	(3,684)
													(60,900)
Non Operating Cash Flow and Restructuring													
Restructuring Professional Fees	(530)	(1,212)	(1,500)	(806)	(580)	(777)	(600)	(756)	(380)	(977)	(315)	(826)	(515)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payments	-	-	-	(1,026)	-	-	(53)	(1,043)	-	-	-	-	-
Total Non-Operating Cash Flow and Restructuring	(530)	(1,212)	(1,500)	(1,832)	(580)	(777)	(653)	(1,799)	(380)	(977)	(315)	(826)	(1,408)
													(3,530)
Net Operating Receipts (Disbursements)	\$ (10,108)	\$ (13,138)	\$ (7,482)	\$ (6,237)	\$ (14,630)	\$ (8,187)	\$ (120)	\$ 1,530	\$ (5,530)	\$ (5,039)	\$ (2,685)	\$ 3,029	\$ (5,607)
													(74,205)
BEG. BOOK CASH BALANCE	\$ 57,123	\$ 53,514	\$ 40,376	\$ 44,394	\$ 40,158	\$ 28,028	\$ 24,841	\$ 32,766	\$ 34,295	\$ 28,766	\$ 23,727	\$ 21,041	\$ 24,070
Net Receipts (Disbursements)	(10,108)	(13,138)	(7,482)	(6,237)	(14,630)	(8,187)	(120)	1,530	(5,530)	(5,039)	(2,685)	3,029	(5,607)
DIP Borrowing - PER DIP BUDGET	6,500	-	11,500	2,000	2,500	5,000	8,045	-	-	-	-	-	-
ENDING BOOK CASH BALANCE	53,514	40,376	44,394	40,158	28,028	24,841	32,766	34,295	28,766	23,727	21,041	24,070	18,463
Unused DIP Commitment - PER DIP BUDGET	29,045	29,045	17,545	15,545	13,045	8,045	-	-	-	-	-	-	-
LIQUIDITY	\$ 82,559	\$ 69,421	\$ 61,939	\$ 55,703	\$ 41,073	\$ 32,886	\$ 32,766	\$ 34,295	\$ 28,766	\$ 23,727	\$ 21,041	\$ 24,070	\$ 18,463
													18,463
DIP TERM LOAN BALANCE													
DIP Loan Balance at Beg. of Week	\$ 86,455	\$ 92,955	\$ 92,955	\$ 104,455	\$ 106,455	\$ 108,955	\$ 113,955	\$ 122,000	\$ 122,000	\$ 122,000	\$ 122,000	\$ 122,000	\$ 122,000
DIP Term Loan Borrowing	6,500	-	11,500	2,000	2,500	5,000	8,045	-	-	-	-	-	-
DIP Loan Balance at End of Week	\$ 92,955	\$ 92,955	\$ 104,455	\$ 106,455	\$ 108,955	\$ 113,955	\$ 122,000	\$ 122,000	\$ 122,000	\$ 122,000	\$ 122,000	\$ 122,000	\$ 122,000
													122,000
FORECASTED MONTH-END COLLATERAL													
Accounts Receivable (at 60% advance rate)								\$ 56,228				\$ 63,330	
Inventory (at 40% advance rate)								12,546				10,273	
PP&E								75,000				75,000	
Total Month-end Collateral								\$ 143,774				\$ 148,603	

White Birch Paper

13 Week Cash Flow Forecast

Weeks Ended March 12, 2010-June 4, 2010

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Key Assumptions:

- 1 - **Bankruptcy Filing:**
 - Actual Petition Date was February 24, 2010
 - Accounts receivable contraction estimate assumes 3 week delayed collection of approximately 15% of amounts due
 - Trade payables contraction and cash deposits occurs in the weeks ending 3/12, 3/19, 3/26, 4/2 and 4/9
 - Freight possessory liens - \$5.0 million CAD in Canada is assumed to be paid in full in the weeks of 3/12 and 3/19 and have been contracted to supplier terms
 - Prior service cost component of pension contributions in Canada of CAD \$1.5 million are suspended until emergence - savings of approximately \$1.5 million CAD per month
 - US Utility Deposits - \$0.7 million deposit made during the WE 3/12 to secure post-petition service, with \$0.5 million weekly payments thereafter
 - Letters of Credit and Cash Deposits - Letters of credit outstanding on the filing date of (appx. \$11.1 million) cash were collateralized in the repayment of loan balances to the ABL lender that occurred on March 1. An additional \$13.7 million of cash collateralized letters of credit and cash deposits are assumed to be issued beginning in the weeks ending 3/26 through 4/16 for trade vendors
 - Projected cash balances should be viewed on a consolidated basis only
 - Negative cash balances at certain of the locations could be covered by available cash at other locations through the Company's cash management process
- 2 - **Includes the Following DIP Financing Assumptions:**
 - Pre-petition ABL facility was replaced with a super priority delayed draw term loan facility of \$140 million (DIP Facility) on March 1 with terms, as follows:
 - Interest at L+1,000 bps; 2% Libor floor
 - DIP facility priced with a 250bps arrangement fee, a 250bps commitment fee and \$100k annual administrative fee
 - Interest on borrowings paid monthly as due
 - DIP loans paid or repaid may not be reborrowed.
 - Aggregate reserves approximate \$18 million for the administrative charge, a carve-out for US professional fees and a Canadian Priority Reserve
 - Liquidity at any given week includes unused DIP commitment that is not yet available for draw based on budgeted net disbursements
 - DIP borrowings and related Unused DIP Commitment, included in this forecast, are based upon the DIP borrowings and Unused DIP Commitment approved in the DIP Budget
 - Forecast does not repay loans in weeks when cash collections exceed budgeted net disbursements
- 3 - **Assumes spot rate of C\$1.03 to US \$1 throughout the forecast period**
- 4 - **Assumes full production at all mills based on latest production schedule**
- 5 - **Preliminary and subject to change**

Appendix G – Cash flow projections of WB
Canada for the 13 weeks ending June 4, 2010

White Birch Paper Holding Company
WB Canada Only
13-Week DIP Cash Flow Forecast

Weeks Ending March 12 through June 4, 2010

15/03/2010

Confidential

In \$000's

	1	2	1	2	3	4	5	6	7	8	9	10	11	13 Week
	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Wk Ending	Total
	3/12	3/19	3/26	4/2	4/9	4/16	4/23	4/30	5/7	5/14	5/21	5/28	6/4	
Operating Receipts														
Siadacora	3,847	4,094	10,420	5,429	4,487	4,139	6,158	9,042	4,376	3,907	3,991	11,141	4,480	75,513
F. F. Soucy	1,379	2,795	1,755	9,845	2,155	2,085	2,899	3,787	2,403	3,078	2,295	2,672	2,943	40,084
Papier Masson	2,357	1,204	3,648	2,322	1,558	2,082	1,769	3,824	1,811	2,774	2,011	3,681	2,598	31,639
Accounts Receivable Contraction	(1,325)	(1,381)	(2,296)	(1,358)	83	1,078	936	(1,470)	(48)	315	1,344	(1,365)	(97)	(5,585)
Total Operating Receipts	6,258	6,712	13,526	16,238	8,283	9,384	11,763	15,183	8,542	10,075	9,642	16,129	9,925	141,661
Operating Disbursements														
Fiber	(2,528)	(2,377)	(2,321)	(3,081)	(2,333)	(3,081)	(2,333)	(3,056)	(2,383)	(2,528)	(2,984)	(2,383)	(2,984)	(34,370)
Chemicals	(271)	(405)	(503)	(537)	(731)	(536)	(925)	(512)	(758)	(536)	(536)	(925)	(731)	(7,904)
Electricity	(2,427)	(2,464)	(2,427)	(2,432)	(2,555)	(2,485)	(2,427)	(2,495)	(2,427)	(3,393)	(2,427)	(2,495)	(2,427)	(32,894)
Recycle Material	(540)	(740)	(740)	(740)	(740)	(740)	(740)	(740)	(740)	(740)	(740)	(740)	(740)	(9,417)
Other Materials and Other Utilities	(446)	(1,039)	(804)	(1,334)	(1,703)	(1,542)	(1,337)	(1,575)	(1,381)	(1,529)	(1,470)	(1,453)	(1,477)	(16,890)
Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	(61)
Salaries and Hourly Payroll- Gross	(1,050)	(1,545)	(1,546)	(1,395)	(1,825)	(1,410)	(1,526)	(1,395)	(1,823)	(1,441)	(1,526)	(1,415)	(1,803)	(19,701)
Pension Plan and Group Insurance	(2)	(142)	(332)	(3)	(885)	(3)	(140)	(333)	(885)	(142)	(2)	(333)	(885)	(4,087)
Freight	(1,394)	(1,322)	(1,347)	(1,322)	(1,547)	(1,347)	(1,347)	(1,447)	(1,347)	(1,347)	(1,225)	(1,225)	(1,225)	(17,443)
Maintenance Equipment	(24)	(79)	(68)	(140)	(144)	(146)	(348)	(139)	(143)	(159)	(148)	(321)	(136)	(1,995)
Major Maintenance	(29)	(29)	(53)	(126)	(126)	(126)	(126)	(126)	(376)	(376)	(376)	(376)	(126)	(2,374)
Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Professional Fees	(50)	(50)	(168)	(50)	(69)	(69)	(69)	(137)	(69)	(94)	(69)	(123)	(69)	(1,089)
Leases	-	-	-	(83)	-	-	-	(343)	(83)	-	-	-	(83)	(248)
Other	(152)	(152)	(181)	(343)	(220)	(220)	(245)	(343)	(245)	(245)	(245)	(245)	(220)	(3,057)
Management Fee	-	(562)	-	(562)	-	(562)	-	(562)	-	(562)	-	(562)	-	(3,370)
Bankruptcy Impacts	(4,510)	(6,210)	(6,638)	(6,638)	(6,638)	(2,427)	-	-	-	-	-	-	-	(33,061)
Total Operating Disbursements	(13,422)	(17,116)	(16,927)	(18,785)	(19,517)	(14,705)	(11,563)	(12,860)	(12,659)	(13,094)	(11,749)	(12,595)	(12,968)	(187,960)
Net Operating Cash Flow	(7,165)	(10,404)	(3,401)	(2,546)	(11,234)	(5,320)	200	2,323	(4,117)	(3,018)	(2,107)	3,534	(3,043)	(46,299)
Non Operating Cash Flow and Restructuring														
Restructuring Professional Fees	(491)	(972)	(1,416)	(616)	(541)	(637)	(516)	(616)	(341)	(787)	(286)	(661)	(436)	(8,316)
Restructuring Bank Fees and Other Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Intercompany Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Interest Payments	-	-	-	(878)	-	-	(45)	(893)	-	-	-	-	(1,209)	(3,025)
Total Non-Operating Cash Flow and Restructuring	(491)	(972)	(1,416)	(1,494)	(541)	(637)	(561)	(1,509)	(341)	(787)	(286)	(661)	(1,645)	(11,341)
Net Operating Receipts (Disbursements)	\$ (7,656)	\$ (11,376)	\$ (4,817)	\$ (4,040)	\$ (11,775)	\$ (5,957)	\$ (361)	\$ 814	\$ (4,458)	\$ (3,805)	\$ (2,393)	\$ 2,873	\$ (4,688)	\$ (57,640)
BEG, BOOK CASH BALANCE - WBPC CANADA	\$ 49,135	\$ 47,018	\$ 35,643	\$ 40,701	\$ 38,372	\$ 28,734	\$ 27,054	\$ 33,562	\$ 34,377	\$ 29,919	\$ 26,113	\$ 23,720	\$ 26,593	\$ 49,135
Net Receipts (Disbursements)	(7,656)	(11,376)	(4,817)	(4,040)	(11,775)	(5,957)	(361)	814	(4,458)	(3,805)	(2,393)	2,873	(4,688)	(57,640)
DIP Borrowings- Allocated from DIP Budget	5,539	-	9,875	1,711	2,138	4,277	6,870	-	-	-	-	-	-	30,409
ENDING BOOK CASH BALANCE	47,018	35,643	40,701	38,372	28,734	27,054	33,562	34,377	29,919	26,113	23,720	26,593	21,905	21,905
Unused DIP Commitment	24,870	24,870	14,995	13,284	11,147	6,870	-	-	-	-	-	-	-	-
LIQUIDITY	\$ 71,889	\$ 60,513	\$ 55,696	\$ 51,656	\$ 39,881	\$ 33,924	\$ 33,562	\$ 34,377	\$ 29,919	\$ 26,113	\$ 23,720	\$ 26,593	\$ 21,905	\$ 21,905
DIP TERM LOAN BALANCE														
DIP Loan Balance at Beg. of Week	\$ 86,455	\$ 91,994	\$ 91,994	\$ 101,869	\$ 103,580	\$ 105,717	\$ 109,994	\$ 116,864	\$ 116,864	\$ 116,864	\$ 116,864	\$ 116,864	\$ 116,864	\$ 86,455
DIP Term Loan Borrowings	5,539	-	9,875	1,711	2,138	4,277	6,870	-	-	-	-	-	-	30,409
DIP Loan Balance at End of Week	\$ 91,994	\$ 91,994	\$ 101,869	\$ 103,580	\$ 105,717	\$ 109,994	\$ 116,864	\$ 116,864	\$ 116,864	\$ 116,864	\$ 116,864	\$ 116,864	\$ 116,864	\$ 116,864

This projected statement of cash flow of White Birch Paper Company and its Canadian subsidiaries and affiliates (collectively, "Companies") has been prepared in accordance with s. 10(2) of the Companies' Creditors Arrangement Act, and should be read in conjunction with the report of the Applicants as well as the Notes attached hereto.

White Birch Paper Company et al.

White Birch Paper Holding Company- CANADA ONLY

13 Weekly Cash Flow Forecast

Weeks Ending March 12, 2010-June 4, 2010

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Key Hypothetical Assumptions:

1 Purpose:

- The attached statement of projected cash flow has been prepared by Management to present the anticipated cash inflows and outflows resulting from current operations in the period following the making of an initial order, providing for a stay of proceedings, in virtue of the *Companies' Creditors Arrangement Act*, namely the period from March 12 to April 30, 2010.

The significant hypothetical assumptions made in preparing the projected cash flow statement are presented hereunder.

2 Basis of presentation:

- The cash flow projections present the projected receipts and disbursements of the entities comprising WB Canada only. The projections do not include the activities of Bear Island Paper Company LLC

3 Stakeholder support:

- The cash flow projections are based on the assumption that the trade creditors will continue to provide support to the Companies through the delivery of goods and services, and that there will not be any modification in the support extended by other stakeholders such as customers, employees, regulators, etc.

4 CCAA Filing Scenario:

- February 24, 2010 Petition Date
- Accounts receivable collections projected based on a line by line review of accounts, adjusted for a contraction estimate assuming delayed collection of approximately 15% of amounts due
- Trade payables payments contraction occurred in the weeks ending 2/26 and 3/5, to reflect COD payments. Additional contraction and COD payments are forecast in the week ending 3/12 through 4/9
- Freight possessory liens - \$5 million CAD have been contracted to COD terms
- Prior service cost component of pension contributions in Canada of CAD \$1.5 million beginning with the February payments are suspended until emergence - savings of approximately \$1.5 million CAD per month
- CAD Utility Deposits - Two weeks of utility deposits (appx. \$5 million CAD) to secure post-petition service were made in the week ending 3/5 with continued weekly payments for estimated consumption of \$2.5 million CAD
- Letters of Credit and Cash Deposits - Letters of credit outstanding on the filing date of \$9.5 million were cash collateralized in the repayment of loan balances to the ABL lender with a 5% premium. An additional \$9.7 million of cash collateralized letters of credit and cash deposits are assumed to be issued beginning in the weeks ending 3/26 through 4/16 for trade vendors

White Birch Paper Holding Company- CANADA ONLY

13 Weekly Cash Flow Forecast

Weeks Ending March 12, 2010-June 4, 2010

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Key Hypothetical Assumptions - Continued:

- 5 Includes the Following DIP Financing Assumptions:
 - Pre-petition ABL facility assumed to be replaced with a super priority delayed draw term loan facility of \$140 million (DIP Facility) with terms, as follows:
 - Interest at L+ 1000 bps with 2% floor
 - DIP facility priced with a 250bps arrangement fee, a 250bps commitment fee and \$100k annual administrative fee
 - Interest on borrowings paid monthly as due
 - Borrowings subject to weekly calculations based on the approved budgeted net disbursements, limited by the lesser of unused DIP commitment supported by the borrowing base or the DIP commitment less outstandings and reserves
 - DIP loans paid or repaid may not be reborrowed. Forecast does not repay loans in weeks when cash collections exceed budgeted net disbursements
 - Aggregate reserves approximate \$15.1 million for the D&O charge and the administrative charge, a carve-out for US professional fees and a Canadian Priority Reserve
 - Assumes that borrowings will be made in accordance with the approved DIP budget subject to availability of unused DIP Liquidity
 - Liquidity at any given week includes undrawn DIP commitment that is not yet available for draw based on budgeted net disbursements
- 6 Assumes spot rate of C\$1.03 to US \$1 throughout the forecast period
- 7 Assumes full production at all mills based on latest production schedule
- 8 DIP forecast preliminary and subject to approval of the court